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Tunnel triumph Late, over budget but asuctess



Emilio Botin Spain's new top banker



**Business Angel** Blue blood in eastern Europe



The Wallenbergs

The empire strikes back Page 17

# FINANCIAL TIMES

TUESDAY MAY 3 1994



### Fininvest faces further scrutiny from magistrates

Europe's Business Nawspape

Investigations by Milan magistrates into the affairs of Silvio Berlusconi's Fininvest empire have resurfaced just as the media magnate begins the final stages of consultations to form a governmen A civil liberties court approved a request for an arrest warrant to be issued against Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of falsifying accounts. Dell'Utri, a long-time associate of Berlusconi, was the princi-pal figure behind the organisation of the businessman's Forza Italia political movement. His lawyers have challenged the court's decision. Page 16

**Progress on Mideast peace:** The comprehensive peace settlement eluding the Middle East appeared to edge forward as a result of peace proposals brokered between Syria and Israel. Page 16: Palestinians to have right to set up stock market, Page 5

IBM shakes up PC side: International Business Machines is to change the senior management of its \$11bn personal computer business, with the retirement of Robert Corrigan, president of IBM PC. Page 17

Cambodian peace talks postponed: Peace talks between Khmer Rouge guerrillas and the Phnom Penh government have been postponed indefinitely amid some of the most serious fighting in Cambodia for five years. Page 5

Lazard Bros reveals inner reserves: UK bank Lazard Brothers has been forced to tell one of the last great City of London secrets precisely how much capital it has in its hidden reserves and how much profit it makes. Page 17

Indian inflation rises: Indian authorities face mounting pressure to curb inflation after the release of figures showing the annual rate of wholesale price increases at 10.6 per cent, compared with 6.9 per cent a year ago. Page 3

Worry over Asian securities markets: The World Bank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development. Page 17; Emerging markets, Page 24

Miti angered at US trade report: Japan's Ministry of International Trade and Industry has responded angrily to a US report which criticised Japanese trade practices as ambiguous, lacking in objectivity and in many ways based on faulty or questionable analysis. Page 4

European Monetary System: There was no change last week in the order of currencies in the EMS grid. All countries made gains against the bottom currency, the Portuguese escudo, which finished on Friday at Es103 against the D-Mark from Es102.4 a week earlier. Currencies,

EMS: Grid

April 29, 1994 D-Mark F.Franc **D.Krone** Peseta . 4. OF 4% 5%

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren-cies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

3 K

Guilty verdict in BCCt trial: Former property entrepreneur Nazmudin Virani was convicted in London of seven counts of fraud relating to his business dealings with the collapsed Bank of Credit and Commerce International. Page 8

Heinz to abandon television: H.J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Beanz Meanz Heinz, is planning to create a new slogan - Heinz Meanz Direct Marketing.

SPD risks votes with tax plan: Germany's opposition Social Democrats committed themselves to a controversial tax reform package, in spite of evidence that it could be a clear vote loser.

Formula One safety inquiry: An emergency meeting to consider Formula One safety following the deaths of grand prix drivers Ayrton Senna and Roland Ratzenberger has been called by the world governing body of motor sport, the Federational Internationale de l'Automobile. Page 16

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### ANC information director predicts party will fail to win two thirds majority

# De Klerk concedes defeat to ANC

By Patti Waldmeir, Michael Holman, and Mark Suzman

President F. W. de Klerk last night conceded defeat to Mr Nelson Mandela in Sonth Africa's first all-race elections, bringing to an end decades of white rule. "Mr Mandela has walked a long road and now stands at the top of the hill. A man of destiny knows that beyond this hill lies another

and another. The journey is never complete. As he contemplates the next hill, I hold out my hand to Mr Mandela in friendship and in co-operation," he said.

Mr de Klerk pledged his support for an African National Congress-led government of national unity, which is expected to be

formed in the next few days. His voice choked with emotion, Mr de Klerk ended his nationallytelevised declaration with the words "God bless South Africa, Nkosi Sikele", African national-ism's hymn of liberation, now adopted as one of South Africa's two national anthems.

Addressing cheering National Party supporters he declared: After so many centuries, all South Africans are now free."
As results trickled in, with less

than half the estimated vote counted, the ANC was last night heading for control of the new parliament, But Mr Pallo Jordan, ANC information director, predicted the party would fail to win the two-thirds majority needed to give it absolute power over the parliament and the writing of a new constitution.

Page 7

■ Mixed-race voters ensure Nats triumph in the Cape ■ Next chapter unclear after

fairy-tale start ■ Mandela's cabinet choices will signpost way to future

Mr de Klerk greeted the pros-pect of an ANC victory with mag-nanimity as he conceded that his party would be the junior partner in the government of national

Results showed that the two

men would almost certainly be working together as the leaders of the two largest parties in the government of national unity. With 42.5 per cent of the esti-mated 23m votes counted, the ANC had a commanding lead with 62.5 per cent of the national

the party's expectations. No other party came close to this share of the vote: the Inkatha Freedom Party scored 6.2 per cent, the right-wing Freedom Front of Gen Constand Viljoen 2.9 per cent, the Liberal Democratic Party 1.9 per cent and the ultra-leftist Pan Africanist Con-

vote, with the National Party

running at 23.8 per cent, below

gress 1.3 per cent. However, it is impossible accurately to extrapolate the final vote from these figures, because total results are being released without identifying the neigh-bonrhoods from which they

South African residential areas and party support are so sharply divided hy race that a disproportionately high number of results from one racial area early in the count would distort projections.

The ANC's projections, which come from party agents and not from the official independent Electoral Commission, make allowances for neighbourhoods and are probably more accurate. The ANC predicts a 58 per cent majority in the national assem-hly, although Mr Jordan said this could well rise to 60 per cent or even to 62 per cent as results

from black areas flow in. In the provincial elections, the ANC was the runaway leader in the Northern Transvaal, Eastern Transvaal, Northwest, Orange Free State and Eastern Cape. It is unclear whether it will win a majority in the Northern Cape, Natal and the Pretoria Witwatersrand and Vereeniging area.

However, in one of the few clear outcomes, the ANC conceded it had lost the Western Cape province - one of only two provinces where Africans are not in a majority - to the National

With nearly three quarters of votes counted, the National Party had 55 per cent of the vote, with the ANC at 29 per cent, the Democratic Party 7 per cent and the Freedom Front 2.4 per cent. This will allow the National Party to control the provincial govern-



	Votes	% of total
African National Congress (ANC)	5.24m	60.4%
National party (NP)	2.18m	25.2%
inkatha Freedom party (IFP)	0.56m	6.5%
Freedom Front (FF)	0.26m	3.0%
Democratic party (DP)	0.18m	2.1%
Pan Africanist Congress (PAC)	0.11m	1.3%

ment, with the ANC represented on the power-sharing provincial executive, as at national

Although the overall result is clear, many uncertainties remain, particularly in the disputed Natal province, where only a fraction of votes have been counted, apparently from areas where the Inkatha Freedom Party is strong. No accurate projections can be made from these early results. Reports from Natal suggest final results will not be available until later today.



South African President F W de Klerk greets supporters in Pretoria,

### González cancels trip as corruption row grows

By David White In Madrid

Mr Pelipe González, Spain's prime minister, yesterday can-celled an official trip he was due to start today to Romania and Bulgaria because of the growing political storm over corruption

and ilticit gains in the country. Mr Antoni Asuncion, the inte-rior minister, submitted his resignation over the weekend, in a move which reflected acnte emharrassment in the aocialist government over the disappearance of Mr Luis Roldan, former head of the paramilitary Civil

6%

The Madrid daily newspaper El Mundo is expected today to pub-lish an interview with Mr Roldan at a secret location, in which he threatens to make damaging revelations. Before he disap peared, Mr Roldan said he would reveal information that would harm the Socialists. The affair, along with allegations of tax evasion by Mr Mariano Rubio, former Bank of Spain governor, increasingly risks jeopardising

the minority government.

Mr Jordl Pujol, leader of the
Catalan nationalist party on
which the Socialists depend for a parliamentary majority, raised the possibility of a snap election. The conservative opposition Popular party has issued fresh calls for Mr González to resign.

Mr Asuncion, a former director of prisons, was appointed only five months ago. His predecessor, Mr José Luis Corcuera, resigned when a law including new search powers was ruled unconstitutional. The latter has also come under attack because

of the Roldan affair. Several hundred police and army personnel were engaged in the search for Mr Roldan, who faces arrest for alleged tax and other offences.

### Roche in \$5.3bn agreed bid for Syntex Richard Waters in New York Roche of Switzerland is making a

\$5.3bn agreed cash bid for Syntex, a struggling US drugs company, to create a group ranking fourth in the world pharmaceuticals sales league. The deal would mark the first

hig takeover in the international pharmaceuticals industry since the merger wave of the late 1980s that created Bristol-Myers Squibb and SmithKline Beecham.

The agreed hid, at \$24 a share, is cash-rich Roche's third hig acquisition in the past four years. As well as catapulting the Baslebased group from tenth position in world sales, it would also lift it from fifteenth to sixth in the crucial US market.

of 59 per cent over Syntex's closing price on Friday of \$15%. It values the company at about 14 times its forecast earnings of \$386m in the year to July 1994, hroadly commensurate with other US drug companies.

The move hy Roche, the world's most highly valued pharmaceuticals group in terms of market capitalisation, reflects growing pressures on drug companies to introduce greater econ-omies of scale and wider product ranges. That is to offset rising product development costs and the squeeze by governments on

Syntex's market value had plunged by more than \$8bn since the beginning of 1992 as it faced the expiry of patents on its mardrug Naprosyn and the lack of new hlockbuster products to replace it in the near term.

Last year, Syntex had net income of \$287m after \$320m in pre-tax restructuring charges and in the three months to January 31, it reported a 20 per cent decline in net earnings, to

Falling sales have put pressure on cashflow at the US company, which has struggled to maintain a high dividend while supporting a research and development budget that last year ran at 19 per cent of sales - high by industry standards. As a Panama-regis-

This emountement appears as a matter of record only

in the past from a low tax rate. Mr Paul Freiman, Syntex chairman, said: "Given the speed of changes in the industry and a radically different competitive situation, we ultimately felt the need to align with a strong global

At their peak, annual sales of Naprosyn reached \$1bn. Mr Fritz Gerber, chairman of Roche, said Syntex's substantial ethical business and its leadership in drugs for treating pain and inflammation "would ideally complement the portfolio of Roche and add a further centre of

excellence to the Roche group".

Syntex would benefit from Roche's strong presence in markets outside the US.

Roche, which rose to world prominence in the late 1960s with its Valium and Librium tranquillisers, is still strong in central nervous system drugs as well as in anti-infectives and drugs for cancer treatment, dermatology and Aids.

Against the global trend of declining profit growth in the industry, Roche last year boosted its net income 29 per cent to SFr2.48bn (\$1.72hn) on sales of SFr14.3hn, of which SFr7.8bn

**April 1994** 

# Markets expect my an examining magistrate. Mr González, postponed accepting Mr Asuncion's resignation, telling him to step up the search for Mr Roldan. The Madrid daily newspapers in US and Tokyo

By Our Foreign and Economics Staff

Financial markets were braced last night for further intervention by the US Federal Reserve and the Bank of Japan to support the dollar as the US currency drifted weakly against the yen and the D-Mark.

The Bank of Japan was reported to have bought dollars for yen to boost the US currency, after Mr Tsutomu Hata, Japan's new prime minister, sought to calm markets by warning that the yen's recent rise against the dollar was "undesirable." Finance ministry officials in

Tokyo said the Bank of Japan was ready to intervene in world currency markets throughout this week to support the dollar. The BOJ's move, after an emergency cabinet meeting in Tokyo over the weekend, followed the

Fed's intervention on Friday to buy dollars for yen and D-Marks. The dollar yesterday came under pressure against the German currency, as dealers appeared to be testing US resolve to stem the dollar's decline.

CONTENTS ...

The Markets

intervention yesterday, and trad-ing was muted, mainly because of the May Day holiday in London and the start of a holiday week in Tokyo. In Japan, markets will close from today until Friday.

However, the perception in markets was that the Fed's operations at the end of last week may have to be repeated to arrest the dollar's decline. The dollar has been weak recently against both the yen and the D-Mark because markets believe a lower dollar fits in with the US admin istration's plans to curb Japan's large trade surplus with North

The Japanese government is concerned that a further rise in the yen could choke Jspan's fragile hopes of economic recovery. After closing at Y101.2 to the dollar on Friday night in Tokyo, the yen was quoted at the finish of trading in Japan yesterday at Y101.8. The Japanese currency

> Continued on Page 18 Bonds, Page 22 Currencies, Second Section

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Share Information ....... 38.3 World Stock Markets \_ 29,30

Money Markets .

Recent Issues .

#### **● REPOLA** U.S. \$250,000,000 Term Loan Facility **Enskilda Corporate** KANSALLIS-OSAKE-PANKKI Skandinaviska Enskilda Banker Swiss Bank Corporation NATWEST CAPITAL MARKETS Co-Arrangers The Mitsublishi Trust & Banking Corporation Postipankki Ltd Standard Chartered Bank Lead Managers ABN AMRO Bank (Sverige) The Bank of Nova Scotia Commerzbank Aktiengesellschaft Creditanstalt-Bankverein The Daiwa Bank, Limited Den Danske Bank Hill Samuel Bank Limited Landesbank Hessen-Thüringen Girozentrale The Long-Term Credit Bank of Jepan, Ltd MeesPierson N.V. The Sakura Bank, Limited The Tokal Bank, Limited Union Bank of Switzerland Vereins-und Westbank AG The Yasuda Trust & Banking Co. Ltd Co-Lead Manager BHF-BANK Dresdner Bank Luxembourg S.A. Credit Lyonnais Sweden Deutscha Verkehrs-Bank AG The Development Bank of Singapore Limited The First National Bank of Chicago The Full Bank, Limited The Industrial Bank of Japan, Umited Norddeutsche Landesbank Luxembourg S.A. Svenska Handelsbanken

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Emerging Markets \_\_\_\_\_ 24 Warld Bond Markets \_\_\_\_ 22

By David Gardner in Strasbourg

The European Union took a further step yesterday towards expanding its membership from 12 to 16 member states, when a series of filibusters to frustrate tomorrow's mandatory ratification vote in the European parliament was

Both the plenary of the Strasbourg assembly and its foreign affairs committee beat back attempts to get the biggest ever increase in the Euroclub postponed.

The parliament's struggle to win more power from the member states and the Euro-pean Commission has held EU enlargement hostage for the past two months. Two weeks ago, leaders of the dominant Socialist and Christian Democrat blocs in Strasbourg agreed to put through the accession treaty, in exchange for pledges that parliament would be closely associated with the 1996 review of the Maastricht treaty and power-sharing in the EU.

But party managers in Strasbourg are still nervous about whether enough Euro-MPs will turn up to ratify the enlargement, intended to bring Sweden, Austria, Finland and NorA delay in expanding the European Union to 16 members would hurt European business and could create another crisis of confidence in the EU, the industry group Unice warned yesterday, Reuter reports from Brussels. Referring to today's vote in the European parliament, the Union of Industrial and Employers' Confederations of Europe said the EU would benefit economically by admitting Austria, Finland, Norway and Sweden.

"A successful conclusion to enlargement will boost confidence in the European Union and strengthen the policies to achieve renewed competitiveness, sustained growth and increased job generation," it said in a statement.

The parliament's assent is necessary for the four countries to join the EU as planned on January 1. Officials have predicted a "yes" vote, but many MPs have been irked by an arrangement on voting procedures for a bigger Union – made to win over Britain to the expansion plans — which they say would undermine the powers of the parliament, the EU's only directly

elected body. Unice said it shared the parliament's wish for efficient, transparent and democratic institutions. "But the applicant states, with their strong traditions of openness and democracy, will only add strength, not weakness, to the pursuit of such reform," it said.

way into the Union next Jann-ary. Failure by the parliament to ratify could easily sabotage the four applicant countries' difficult referendums on membership this autumn, and very possibly complicate ratification by national parliaments in the

12 existing member states. A first attempt yesterday by the far-right to get enlarge-ment taken off this week's

agenda was easily defeated by

287 votes to eight, with four

The unsurprising size of this quashing of the Euro-fascists is less relevant than the size of Euro-MPs' presence in Strasbourg, given that a third of MEPs rarely turn up at all, that next month's European elections are set to eject up to two-thirds of present members, and that many of those hoping to survive are on the campaign

In tomorrow's vote, 260 of the 518 MRPs must approve enlargement. The Socialists, the largest bloc, reckon they can guarantee 130-140 votes, but there are worries about the Christian Democrats' pledge of 100 votes, while the small groups are less disciplined. The two big blocs both sent their leaderships to lobby yes

terday's foreign affairs commit-tee, and to stall the infinite variety of procedural snags possible under European par-liament rules.

Even Mr Jean Louis Bour-langes, the French Christian Democrat who has led the cam-paign to hold up enlargement, dismissed yesterday's skir-mishes as "procedural trickery", arguing for a straightforward battle on Wednesday.

Then, there are likely to be two votes. A first motion, arguing to postpone enlargement, is likely to fail. In the second motion, approving the EU expansion, a number of Socialists unhappy that enlargement is not going hand in hand with more democracy and federalism, and who will have voted in favour of the first motion. are then expected to come down in favour of the snb-

employment and discourage

energy consumption.

The SPD leader said that there would be no increase in

the overall tax burden from the

level to be reached next year,

describing it as "a programme

based on solid finances....and

There would be a "step-by-step reduction" in taxes and

deductions hitting payroll

costs, alongside a step-by-step

introduction of the new energy

social justice".



PLO chairman Yassir Arafat, on a brief visit to Germany, was given a tour of the Daimler-Benz headquarters in Stuttgart yesterday by the company chairman Edzard Reuter - See, Observer

# Dutch poll set to break the political mould

By Ronald van de Kroi

Voters in the Netherlands go to the polls today in national elections which could well force the governing Christian Democrats (CDA) into opposition for the first time since

The party appears to have made slight gains in the past few days, according to an opinion poll yesterday, but is still behind its Labour party partners. A Nipo poll for Dutch television when the Chiefican many the Chiefican many the Chiefican and the Chiefican many the Chiefican and the Chiefican an television gave the Christian Democrats 32 seats in the 150-seat Lower House and Labour

Last week, opinion polls were giving the CDA 29 seats and Labour 35. At the last elections in 1989 the Christian Democrats won 54 seats and Labour 49. The Labour party, led by Mr

minister, is likely to emerge as the largest party overall. This would put Mr Kok in the running to become prime minister on the next government coalition are completed. Mnch will depend wbether Mr Elco Brinkman, handpicked successor of Mr Ruud

abbers, the CDA leader who is stepping down, can rally the party rank-and-file in the last few hours of the campaign. Mr Ger Schild, director of the Nipo polling organisation. said yesterday that a larger number of people than ever before would be going into the

voting booth without knowing exactly how they will vote.

"A far larger proportion of people who voted CDA the last time around are as yet undecided about whom to give their vote than are people who supported other parties last time," he said.

The crumbling of support for the current coalition will benefit the right-wing Liber-als, forecast to pick np seven more seats for a total of 29, and the left-of-centre D66, up 15 seats at 27.

If these predictions hold true, Labour, the Liberals and D66 could rale without the help of the CDA. The CDA and its forerunner parties have belonged to every government coalition since full universal suffrage was introduced in

Mr Brinkman was scheduled to go to a final election rally Wim Kok, the current finance last night in Lisse, the centre of the country's flower bulbgrowing region and a traditional Christian Democrat

> meeting with voters at the nearby university town of Lei-

> Both men, plus the leaders of the other main parties, were due to appear in a final debate last night on Dutch television. Although results of the election should be available by late tonight, it could be weeks or even months before the par-

ties cobble together a new

unemployment

Gaullist split

widens over

By David Buchan in Paris France's persistent unemployment is driving an ever-deeper wedge between the ranks of the country's governing Gaullists. Mr Jacques Chirac, the party leader, yesterday

endorsed the idea of a referendum on the issue to underline his difference with the gradual-ist jobs policy of his fellow-Gaullist prime minister, Mr Edouard Balladur. The unity of the Socialist left

ls, however, being equally threatened by the creation of a strong rival list in next month's European parliament elections by Mr Bernard Tapie, amid evidence that the populist Marseilles politician ls being egged on by President François Mitterrand.

Despite facing multiple investigations for alleged financial irregularities and football bribery, Mr Tapie has now attracted heavyweight candidates to his Mouvement des Radicaux de Gauche (MRG) list. They include Mrs Cathertary general of the Council of Europe and an associate of Mr Mitterrand.

"With snch a team, one would need to be an incredibly oad captain not to go far in this European [parliament] championship," said Mr Taple. He has just been disqualified for life from involvement in football after the French soccer authorities decided - ahead of an investigating judge - that

seille had rigged a game last

Mr Taple claimed over the weekend that his only goal was to outscore the far-right National Front in the Europoll; both are around 9-10 per cent in the opinion polls. But if competition from Mr Taple also ensures a poor showing for Mr Michel Rocard, the Socialist party leader may see his candidacy in next year's presidential elections fatally undermined.

The jobs referendum idea came at a weekend RPR Gaullist rally ironlcally from Mr Philippe Seguin, whose presidency of the national assembly ought to incline him towards representative democracy rather than rule-by-plebiscite. But Mr Séguin has emerged as the sharpest thorn in the side of Mr Balladur, whose government the assembly leader dismissed as merely "one of transition" until the right wins the Elysée next May.

Mr Seguin gave no idea of how the unemployment issue yes/no referendum verdict, but his call for "a complete reversal" of jobs policy won endorse ment from Mr Chirac, who spoke to RPR faithful chanting "Chirac president". Mr Balladur had earlier tried to persuade the party rally there was no contradiction between his and that the best bope for reducing France's dole queues was the gradual economic Mr · Tapie's Olympique-Mar- recovery now under way.

#### INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

	Series Series Tricum	ledartelet production	logramit rate	rate indicator	Composite legiting lackmen	Piotoli solpe volume	Industrial production	Universit Injunent Into	Vacancy rate Indicator	Composity leading indicator	Retail soles volume	Industrial production	(Jagrapi Jagrapi Tale	Vacancy rate indicator	Composite leading indicates
1985 .	100.0	100.0	7.1	100.0	102.1	100.0	100.0	2.6	100.0	97.3	100.0	100.0	7.1	100.0	105.1
1986	105.5	100.9	6.9	98.0	106.9	105.5	99.7	2.8	94.3	108.1	103.4	102.2	8.4	136.4	105.0
1987	108.4	106.0	6.1	105.5	108.4	113.8	103.1	2.8	108.3	115.2	107.4	102.6	6.2	148.4	106,1
1988	112.6	110.7	5.4	106.1	112.5	122.9	113.1	2.5	135.9	122.2	110.5	106.3	9.2	164.8	112.2
1989	115.6	112.4	5.2	99.3	110.8	132.5	119.7	2.2	147.0	125.2	114.1	111.4	5.6	218.7	115.1
1990	116.5	1124	5.4	64.8	108.9	141.6	125.5	2.1	149.8	122.8	123.5	117.2	4.8	261.1	115.7
1991	114.2	110.3 112.9	6.6	60.3	112.2	144.6	126.8	2.1	144.2	120.9	130.5	120.9	4.2	270.7	113,0
1992	117.8	117.9	7.3		116.9 122.8	139.9	119.0	2.1	124.2	119.7	127,7	110.8	4.6	260.2	108.8
1993	124.0		6.7	65.4		132.0	113.8	2.5	106.8	122.8	122.4		5.9	198.6	111.8
1st qtr.1993	3.7	4.4	6.9	62.4	117.9	-5.9	-5.1	2.3	115.5	123.1	-4.7	-9.8	5.3	213.4	108.8
2nd qtr.1993	5.3 5.9	3.9	6.9 6.7	63.7	117.2 116.5	-6.0	-4.3	24	106.2	124.5	-3.8	-8.3	5.9	208.5	100.0
3rd qtr.1993		4.2				-5.1	-3.9	2.5	101.3	125.9	-2.1	-6.4	5.9	183.6	111,8
4th qtr.1993	6.3	4.3	6.4	69.4	122.8	-5.7	-4.9	2.7	101.0	126.2	~5.8	-3.1	6.3	175.5	113.6
April 1993	4.7	3.9	6.9	62.8 65.1	117.0 117.2	-5.3	-4.1	23	109.1	124.4	-22	-9.2	5.5	211.5	107.3
May	5.2	3.0	6.9			-4.8	-4.2	2.5	106.8	124.9	-5.8	-8.3	5.6	207.9	107.9
lune	6.0	4.0 3.8	6.9	63.1 65.8	117.2 117.9	-8.0	-4.8	2.5	106.3	124.5	-3.5	-7.5	5.7	205.2	109.0
July	6.1 6.0	4.3	6.7 6.7	66.7	118.5	-5.8	-4.5	2.5	102.8	124.9	-3.7	-8.0	5.8	202.7	109.9
August	5.8	4.4	8.9	65.5	119.5	-4.1	-2.6	2.5	102.9	125.2	-0.7	-5.9	5.9	194.5	111.2
September October	5.8	4.1	6.6	68.5	120.5	-5.5 -5.2	-4.4	2.9	100.9	125.9	~1.9	-5.7	6.1	183.7	111.5
Movember Movember	6.4	4.2	6.4	68.9	122.0	-5.2 -7.3	-6.6 -3.2	27	99.0	126.1	-3.9	-4.3	6.2	174.7	112.6
December	8.7	4.6	6.3	70.7	122.8	-7.3 -4.6	~3.2 -4.5	2.7	112.3	125.9	-5.0	-4.0	6.3	174.7	113.0
January 1994	9.1	4.6	8.8	66.7	122.7		-3.0	2.8	99.9	126.2	-8.5	-1.0	1.3	175.5	113.6
February	0.1	4.6	6.4	72.9			-3.0 -4.5	2.7 2.8	97.4	127.9	0.1	~1.7	9.4	178.0	114.2
March.		5.1	8.5	74.9			-32	2.8			0.2	0.9	9.5	197.9	
FRANCE						II ITALY									
PHARLE	Retail		Closesp-	Vacancy	Composite						■ UN⊓	TED KI	NGDO	a	
	Redell Dalos Walters	Section feet feet production	layorana) min	rate Indicator	leading Indicator	Retall suites yealum	Industrial production		Unemp- loyment rate	Composite leading indicate	Rotali seice valume	industrial production	Unicop- layment	Vacancy	Composite inning indicator
1985	100.0	100.0	10.3	100.0	102.0	100.0			9.6	103.8	100.0	100.0	44.0	Indicator	
1986 .	102.4	101.1	10.4	107.2	109.2	108.8			10.4	110.7	105.2	102.4	11.2	100.0	102.4
1967	104.5	103.1	10.5	117.7	106.9	112.1			10.9	112.8	110.7	106.5	11.2 10.3	116.1	105.9
1988	107.9	107.3	10.0	134.9	118.7	107.9			10.9	117.7	117.8	111.8	8.9	141.2	110,5
1989	106.5	111.3	9.4	161.1	113.5	116.9			10.9	115,8	120.1	114.0	7.2	144.9	108.7
990	110.3	112.8 113.2	6.9	163.0 127.7	108.8 109.8	114.4			10.3	111.8	121.1	113.7	9.8	124.7 98.1	108.4
1991	110.3 110.5	113.2	9.4 10.4	111.4	107.9	111.0 116.9		•	9.5	114.7	119.8	109.2	6.9	68.9	104,2 108,2
1992 1993	110.7	108.9	11.7	89.8	110.8	110%			9.9	111.1	120.5	108.7	10.0	70.1	113.5
				•			110.9		10.2	121.3	124,8	111.5	10.3	77.2	122.0
1st qtr 1993 2nd qtr 1993	0.2	-3.3 -3.8	11.0 11.5	96.6 91.8	106.2 107.5	1.5 -2.7	9 —4.3 7 —4.0		9.1	113.3	3.1	1.9	10.5	73.7	116.5
and our 1983	0.4	-2.9	11.9	85.0	106.4	-1.4			10.7	114.9	3.0	2.7	10.3	74.9	116.91
ith ctr 1993	-0.5	-1.8	12.2	85.4	110.8	-1.4	-0.1 -0.1		10.3	119,4	3.9	2.6	10.4	77.4	120.3
		-4.9							10.7	121.3	3.7	3.1	10.0	84.0	122.0
April 1993	0.9	-3.3	11.4 11.5	95.0 89.1	106.9 107.8	1.5 -9.0			n.a.	113.5	2,7	1,0	10.3		
May June	5.0	-3.4	11.9	91.0	107.5	-0.4			n.a.	114.0	2.4	4.4	10.3	75.0 75.2	116,6
July	1.2	-2.6	11.7	93.9	107.1	-6.4			n.a.	114.9	3.9	2.7	10.3	74.3	116.7 116.9
Jury August	-1.2	-3.0	11.9	80.4	107.5	1.2			n.a.	115.6	4.4	3.5	10.3	74.3 77.1	117,8
September	2.1	-3.0	12.0	80.9	108.4	1.1			n,a.	119.9	3.9	2.5	10.4	77.9	119.1
October	-2.7	-4.5	12.1	63.7	109.2	-5.6			n.a.	118.4	3.4	2.0	10.3	77.2	120.3
November				85.2	110.2				TLE.	119.4	3.2	2.0	10.2	81,7	120.7
	20	-0.1	12.2		1105		-0.0	,							
	2.0 -0.8	0.0	12.2	87.3	110.9		-0.9 2.3		n.a.	120.3	3.8	3.6	10.0		
December January 1984	2.0 -0.8 0.5		12.2 12.2				-0.9 -0.9		n.a.	121.3	4.2	3.7		84.6	121.0
December January 1984 February	2.0 -0.8	0.0	12.2		110.9		2.3		n.a. n.a.		4.2 3.9	3.7 3.9	10.0 9.9 9.9		
Jecember January 1984	2.0 -0.8 0.5	0.0	12.2 12.2		110.9		2.3		n.a.	121.3	4.2	3.7	10.0 9.9	84.6 84.8	121.0 1 <b>22.0</b>

# SPD risks votes with tax plan

By Quentin Peel in Bonn

Germany's opposition Social Democrats yesterday committed themselves to a controversial tax reform package as the cornerstone of their election platform, in spite of evidence that it could be a clear vote

Mr Rudolf Scharping, SPD leader and candidate for the post of federal chancellor, faced down sharp criticism of his leadership style to force the party programme through his national executive committee with only one abstention. The package includes a large

tax reform to make energy more expensive, but stops short of calling for a national motorway speed limit, appar-

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ently for fear of losing votes from the car-crazy nation. Instead, the SPD will campaign for a Europe-wide speed limit, although Germany is the only EU member state without one.

Mr Scharping said the pro-gramme still included a plan to switch the government's 7.5 per cent "solidarity surcharge" on income tax, needed to pay for the soaring costs of German unification, to a 10 per cent surcharge payable only by higher earners. When it was unveiled in

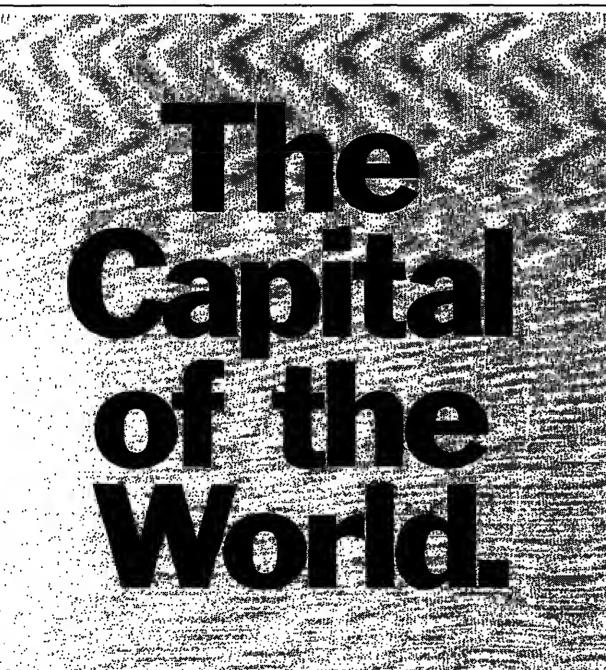
March, it caused an immediate outcry amongst the broad mass of middle-income earners, and a slump in SPD popularity in the opinion polls.

According to Mr Friedrich Bohl, Chancellor Helmut Kohl's closest ministerial aide, the surcharge will last for at least five years, and possible longer, in order to pay the annual cost of transfers to east Germany running at between DM140bn (£56bn) and DM150bn

However the SPD plan, although on the face of it a considerable relief to the majority of taxpayers, is in danger of targeting precisely those more prosperous floating voters it needs to win next October's election.

The programme also includes an "ecological tax reform" which would switch the burden of taxation from labour-related costs to energy and raw materials, intended simultaneously to promote

The third main economic plank of the party programme is a commitment to promotion of more research and investment in new technologies, including a programme of pub-



### FT International Corporate Finance Survey

The Financial Times international Corporate Finance Survey will be published with the FT on Thursday, May 5.

It will provide important insights into the flow of capital across borders in an era of rapidly increasing global competition.

Among the topics it will examine are the revival of mergers and acquisitions activity. the opportunities offered by privatisations and industrial restructuring and the inflow of capital into the emerging markets.

So if you have an interest in world-wide investment, be sure to acquire a copy of the FT on Thursday, May 5.

FT. Because business is never black and white.

# Bouygues wins Hungary deal

A consortium led by Bouygues, the French construction group, has won eastern Europe's largest toll motorway concession. The Hungarian government, which has been advised by Morgan Grenfell, the UK merchant bank, yesterday awarded Bouygues the \$350m project to finance, upgrade, extend and operate Hungary's M5 motorway. The Hungarian Motorway International Consortium, which teams Bouygues and German bank Commerzhank, defeated a group led by Transroute International and GTM International, two French toll-road operators. Bau Holding, the Austrian construction company and another partner in the winning consortium, said earlier that the consortium would have to raise Ft7bn (£45.7m) in equity

capital of which Bau would provide about 40 per cent. The M5 concession is the largest project yet in Hungary's \$3bn programme to bring in private investors and developers, extend four motorways from the capital to the country's borders and build two bridges across the Danube. The M5 leads toward Serbia and uncertainty over traffic projections has complicated financing and delayed its extension to the frontier. Nicholas Denton, Budapest

#### Pepsi to expand in Poland

Pepsi-Cola moved yesterday to win back ground in Poland recently lost to Coca-Cola by signing a joint venture with Whitman, Pepsi's Chicago-based bottler in the US. Under the agreement PepsiCo will bring Whitman into its bottling plant in Pniewy near Warsaw to build a distribution and marketing network in the west and the north of the country. This is the first time that PepsiCo will have brought one of its bottlers into central and eastern Europe, and Whitman, which will be investing \$100m (£68.4m) in the joint venture over the next eight years, plans to build a further three plants in Poland. In Poland Coca-Cola has brought in Ringnes, its Norwegian bottler, as well as Brau from Austria, and built distribution operations from scratch starting two years ago. Next week the company will be opening three new bottling plants in Krakow, Lodz and near Wrocław built at a total cost of \$120m. Christo-

#### Rwanda envoy due in Uganda



Mr Jacques-Roger Booh-Booh, United Nations special envoy to Rwanda, was yesterday scheduled to meet President Yower Musevent of Uganda as part of international efforts to persuade Rwanda's warring parties to end nearly a month of civil strife. Tanzania's President Ali Hassan Mwinyi yesterday said the government and rebel Rwanda Patriotic Front (RPF) had agreed to peace talks in the northern town of Arusha tomorrow. Refugees from the Rwanda fighting have been flooding across the border into Tanzania in their thousands (see picture above). The Tutsi-dominated RPF contends the Hutu interim government was established illegally days after the death of Hutu president Juvenal Habyarimana in a rocket attack on his aircraft on April 6. Reuter, Nairobi

#### French radiotelephone bidding

The licence to operate France's first truly urban radiotele phone network will be awarded by the end of this summer to one of three French bidders, Alcatel, Bouygues and Lyonnais des Eaux, the French telecommunications ministry announced yesterday. In addition to local partners, Alcatel has teamed up with Stet of Italy and Telefonica of Spain, Bouygues with Veba of Germany and US West, and Lyonnaise with Thyssen of Germany, Belgacom of Belgium and Bell South of the US, to bid for France's third radiotelephone network. France Tele come and Générale des Eaux already operate two Global System for Mobile Telephones networks in France. But they generally require users to be outdoors or near a window. The ministry said yesterday the third network was designed more for urban office use, requiring an investment of FFr10bn-FFr15bn. France has around 150,000 radiotelephone users, but hopes to have 3m by the end of the century. David Buchan,

#### EU uses more unleaded petrol

Use of unleaded petrol in the European Union has accelerated past leaded fuel for the first time, the EU's statistics office, Eurostat, said yesterday. Unleaded petrol accounted for 53.3 per cent of all petrol used in the Union last year, up from 47.1 per cent in 1992 and 40.7 per cent in 1991. Eight years ago, unleaded petrol accounted for less than 1 per cent of the total, Eurostat said.

The "greenest" country in the Twelve - at least as far as petrol is concerned - is Germany. It accounted for 48 per cent of EU use of unleaded fuel which took 88.7 per cent of its domestic market. However, in domestic terms, the second greenest country was Denmark where unleaded petrol took 75.6 per cent of the domestic market, followed by the Netherlands where it accounted for 75.1 per cent. Reuter, Brussels

#### **ECONOMIC DIGEST**

#### GDP soars in South Korea

South Korean gross domestic product is forecast to grow by a least 8.5 per cent in the first quarter of 1994 compared to 3.9 per cent a year earlier, according to Mr Kim Myung-ho, governor of the central bank. GNP grew by 5.6 per cent during the whole of 1993. The country's industrial output shot up 10.2 per cent in the first quarter from 1 per cent in the same period last year, the national statistical office reported. The state-funded Korea Development Institute recently revised its projection for gross national product to a real 7.6 per cent growth in 1994 from an earlier forecast of 7 per cent. "With exports steadily increasing and the recovery in fixed capital investment accelerating, GNP is expected to grow more quickly than earlier forecast," it said. An even more optimistic view comes from Schroders Securities which revised its GNP projection for the year to 8.2 per cent from an earlier 6.5 per cent.

■ Japan's domestic vehicle sales are on a recovery path despite the year-on-year slippage in April for the 13th month m a row, industry officiala said yesterday. April's 6.6 per cent fall to 372,755 vehicles should not be seen as a sharp drop, said an official of the Japan Automobile Dealers' Association. One reason for the April fall, ironically, was a tax cut. Customers bought cars in March as dealers offered discounts to offset the

effect of an April cut in the consumption tax.

Portugal's overall trade deficit fell 11.3 per cent last year to Escl,430.8bn (£5.55bn), with imports falling 4.6 per cent to 3,900.6 billion, according to official figures.

■ Employment fell in large Italian companies by 0.4 per cent in January compared with December and was 5.1 per cent lower year-on-year, the Istat statistics bureau reported. The statistic covers companies with more than 500 employees but excludes the construction sector.

■ Swedish new car registrations rose by 44 per cent in April to a preliminary 15,750 from 10,919 in April, 1993, according to the Swedish car retailers' association. The figure for the first four months of the year showed a 27 per cent rise, to 52,939 from 41,612 in January-April 1993.

# Karadzic anger at new UN safe area

By Laura Silber in Belgrade and David Buchan in Paris

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday vowed that he would block any moves to designate as a United Nations "safe area" the town of Brcko, on the eastern end of the Serb corridor in Bosnia.

The "corridor is of vital interest to the Serbian nation," he said, ruling out any possible change in the status of Brcko, which has "always been in Serb hands'

Earlier, Mr Alain Jnppé, the French foreign minister, had called on the United Nations to make the Brcko

corridor "a security zone" with the same status as Sarajevo or Gorazde, so that Nato aircraft could intervene "at the first cannon shot...by one side or the other".

Speaking to the Anglo-American Press Association in Paris, Mr Juppé described the Breko corridor as "very sensitive" to both Moslems, who wanted it for access to the Sava river and thence to the Danube, and to Serbs, who wanted it to link their territories in east and west Bosnia.

UN officials fear that the town, which is set on the land corridor joining Belgrade with Serb-held towns in Bosnia and Croatia, will be the next flashpoint and are considering how a conflict can be avoided in the area. In Gorazde, the Moslem enclave in south-east Bosnia, UN reports cite reightened tensions including an inci-

dent on Saturday in which British

soldiers returned fire, killing two

In a similar incident near Tuzla, a another UN "safe area", nine Serbs were killed after firing four anti-tank missiles on soldiers from the Nordic battalion who used their powerful Leopard tanks in the exchange, said

UN officials. There were further reports yesterday that Serb forces are concentrating

Mr Haris Silaidzic, the Bosnian plan to partition Gorazde. prime minister, who today is due to meet Mr Yasushi Akashi, senior UN official for former Yugoslavia, in Sarajevo to discuss prospects for resuming ace talks, yesterday warned that the Bosnian government would not rejoin negotiations until Serb forces fully complied with a Nato ultimatum to withdraw from a 20 km exclusion

zone around Gorazde. UN officials at the weekend said Serb soldiers have shed their army fatigues only to return in blue uniforms in the guise of policemen pro-

resettlement of Serbs is part of a Serb Mr Karadzic yesterday warned that the US is poised on a "new Vietnam

in Bosnia" and accused the UN too of siding with the Moslems. In Sarajevo, Nato aircraft were called in to buzz a weapons depot ending a four-hour standoff between Serb forces trying to take back their

heavy weapons from UN soldiers. Major Guy Vinet, a UN spokesman. said up to 15 Bosnian Serb soldiers on Sunday night moved in on the storage point, holding about 30 weapons

# White House pushes gun control Probe of attacks

The Clinton administration has begun an all-out drive to win support for a ban on assault weapons and large-magazine guns, but still faces possible defeat when the measure comes to a vote in the House of Representatives later this

White House officials acknowledge they are still around 15 votes short in the House, despite the support of Congressman Henry Hyde of Illinois, a senior Republican who has in the past opposed

similar bans but who voted for the measure in committee last week. The proposed law closely embles a measure included

Why have laws that protect ducks more than human beings?

last year by the Senate in a much broader crime bill, and would outlaw 19 specific weapons, as well as high capacity

It would also impose a more

general ban on semi-automatic weapons which have additional features such as flash suppressors, but would specifically exempt over 600 types of gun considered to have a legitimate

sporting purpose. But Congressman Jack Brooks, a Texas Democrat who is chairman of the House judiciary committee, opposes the ban and kept it out of the House's broad crime bill, hop-ing that if it is defeated on its own on the floor of the House he will have more leverage to resist it as the House and Senate try to reconcile their ver-

Senior administration offi-class have tried to tackle the National Rifle Association, the potent gun lobbying group which opposes the measure, by mobilising police officers and

humbers to argue for it.

Mr Lloyd Bentsen, the treasury secretary, pointed out that the bill seeks to restrict magazines that hold as many as 90 rounds, while federal law restricts hunting for migratory birds to guns with no more

than three shells. "Now, why should we have laws that protect ducks more than human beings?" Mr Bent-

# on US policy

By Michael Littlejohns, UN Correspondent, in New York

Mr Boutros Boutros Ghali, the UN secretary-general, has ordered an inquiry into public criticisms of US policy towards former Yugoslavia by senior UN officials in Bosnia that were the subject of a sharp protest by the Clinton admin-

Mr Bourros Ghali told Mr Yasushi Akashi, the top UN mediator, that his suggestion

Somalia debacle, was "com-In an exchange of letters made public last night, Mr Boutros Ghali informed Mrs Madeleine Albright, the US delegate to the UN, that he shared her "profound concern" over the

Mr Akashi had been told to "take every measure to ensure that there are no recurrences on his part or that of other UN.

# **Indian inflation** at highest level for two years

Pressure is mounting on the Indian authorities to act to curb inflation after the publication of figures at the weekend showing the annual rate of price increases rising to 10.6 per cent, the highest in nearly two years.

The figures, measuring the rate of increase in wholesale prices for the week ending April 9, show inflation has climbed steadily from just 6.9

per cent 12 months ago.

With foreign exchange reserves at record levels, finance ministry officials see little risk of a repeat of the 1991 economic crisis when inflation, government borrowing and the balance of pay-ments veered out of control. But they admit that rising prices could undermine efforts to achieve stable growth and to carry out further economic liberalisation.

Mr Manmohan Singh, the finance minister, and Dr C Rangarajan, the governor of the Reserve Bank of India, the central bank, have both emphasised in recent speeches the dangers posed by inflation.

The government last month acted to try to protect the poor from possible further increases in food prices by lifting restrictions on sugar imports. However, it is not clear how much these measures will limit the overall inflation rate rise, which is being driven not by changes in food prices but by financial pressures - notably persistent government deficits and a surge in foreign invest-

The fiscal deficit in the year to March soared to 7.3 per cent of gross domestic product, compared with a target of 4.6 per cent, according to finance ministry figures, which may

Meanwhile, foreign investment has soared to about \$5bn (£3.4bn) in 1993-94, far exceeding government forecasts and flooding the financial markets with excess cash. The central bank estimates the money supply grew by 17.9 per cent in the year, up from 14.6 per cent in 1992-93.

Commenting on India in its recent report, The World Economic Outlook, the International Monetary Fund listed as "troubling features" the rekindling of inflation and the weakening of fiscal manage-

The Reserve Bank is expected to try to curb further money supply growth when it decides its credit policy for the period April-September at a much-delayed board meeting due on May 14. It might balk at raising interest rates since industrial growth is sluggish. but it could raise the minimum deposits commercial banks are required to make at the Reserve Bank

 India's exports in the year to March grew 20.4 per cent to \$22.17bn, according to figures announced yesterday by the commerce ministry. They pro-vided fresh evidence that the government's liberalisation of foreign trade and investment is bearing fruit Imports grew 6.8 per cent to \$23.1bn, leaving a trade deficit of \$1.0bn, compared to \$3.3bn in 1992-93.

#### Cardin sets up shop in three cities

Pierre Cardin, the French fashion designer and head of a diversified retail marketing group, yesterday launched a chain of shops in India, writes Stefan Wagstyl in New

> Mr Cardin is following Benetton of Italy, France's Lacoste and other fashion companies which have entered the Indian market in the past year, following the liberalisation of foreign trade and investment.

The French designer will take a 26 per cent stake in a joint venture with Indian The initial investment is

Rs16.5m (£354,000) which will pay for a design studio. workshops and three shops in Delhi, Bombay and Calcutta. If the venture goes well, the partners plan to open more stores and raise their investment to Rs250m.

Mr Cardin also sees India as a potential supply source for his joint venture and franchised outlets in other countries.

Speaking at a news conference, he said: "I am sure India will be another Paris of Asia since its textiles and jewellery are so good." Mr Cardin's executives said India would be a particularly good source for cotton and silk clothing.

The first exports would go in small quantities to Russia. but retailers in all the 120 countries in which Pierre Cardin goods are marketed would also be free to come

and place orders. Mr Cardin, who is 72 years old and opened his fashion house in 1950, said he had no plans to retire. After India he was intending to visit two other countries still waiting for their first Pierre Cardin

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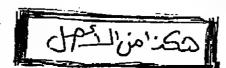
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defend policy

towards Iran

By Paul Abrahams in Tokyo

of terrorist links. "The allega-

then we would have to be deci-sive," said a ministry official.

A change in Tokyo's policy

towards Tehran would be a

have been anxious to use Teh-

ran's short-term debt crisis to

to force Iran to change its poli-

cies and Japan has been pro-

viding aid and finance for

worth of short-term debt and

supplying Y38.8bn in aid for a

anese Red Army.

William Dawkins focuses on the reasons behind the recent rise in Japan's currency

yen's recent jump against the dollar are not as contrary as they look; a heavy net flow of capital into Japan is the main technical factor at work; cash-starved Japanese financial institutions need to raise yen and foreign investors are just as eager to supply yen to buy the bonds, shares, golf courses and office buildings the Japanese are busily unloading

Japanese and US Federal Reserve intervention to support the dollar and drive down the yen is probably due to fears that the dollar-yen at this level will harm hoth their economies, throttling Japan'e weak signs of recovery and fuelling US inflation.

To many others, the yen's rise is plainly illogical. Why should a country with a weak economy and powerless government have a stronger currency than one with a recover-

ing economy?
But such considerations do not overly concern tha market. The French and German central banks found this to their cost when they jointly intervened last year in a fruitless

Hata in

**overseas** 

By Michiyo Nakamoto in Tokyo

Mr Tsutomu Hata, the

Japanese prime minister, yes-

terday left for Europe on his

first official visit abroad after

Mr Hata will be visiting

Italy, France, Germany and

Belgium, and is scheduled to

meet the heads of government

of those countries as well as

Mr Jacques Delors, president of

Discussions between the Jap-

anese prime minister and his

European counterparts are

likely to centre on furthering

During his meetings with

European leaders, including

French President François Mit-

terrand and German Chancel-

likely to explain Japan's efforts

to deregulate its markets in an

effort to reduce its massive

trade surplus and help boost

international economic activ-

ity.
The European Union has

expresead concern about

Japan's current account sur-

plus, although discussions on the issue have been overshad-

owed by recent fraught

exchanges regarding trade

The Japanese prime minister

between the US and Japan.

hilateral and regional ties.

the European Commission.

taking office last Monday.

first

visit

appeared to be an economically justified fixed link between

their currencies. As the French and Germans also found last year, central bank intervention is too small to control the giant forces of the foreign exchange markets. The dollar-yen market turns over hetween \$100hn and \$150bn worldwide daily, easily equivalent to tha Bank of Japan'e entire foreign serves, which amounted to \$104.56bn at the end of April. The biggest players in the

insurance companies. They have sold record volumes of Japanese shares over past few months, to plump up their meagre earnings before closing the books at the end of

the Japanese banks and life

Foreign investors have been eager buyers, epending on average Y1,000bn per month on Japanese shares in the first quarter of this year, according to the Tokyo Stock Exchange. This has tailed off slightly

"Japanese institutious in general have a liquidity nueeze due to the after-effects of the bubble economy," said

Tsutomu Hata: discussions on furthering bilateral ties

is also expected to confirm

Japan's aupport for UN-led

peace efforts in the former

The trip, which was planned

by his predecessor, Mr Mori-hiro Hosokawa, will provide

the new Japanese prime minis-

ter with an opportunity to get

Yugoslavia.

to know his counterparts in

Europe before the Gronp of

Seven summit meeting in

Naples in July. The Golden

Week holiday period, when

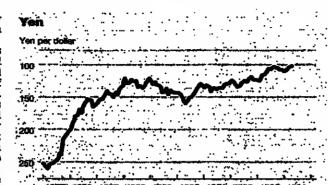
most of Japan shuts down, has

usually been s convenient time

for the country's prime minis-

ters to travel abroad.

**TAG**Heuer



Mr Peter Tasker, chief strategist at Kleinwort Benson, referring to the sharp inflation and then collapse of Japanese asset prices at the turn of the

"They can only generate cash by selling assets overseas and transferring them into yen or selling yen assets to foreigners," be added.

In the final quarter of 1993, Japanese institutions bought Japanese corporate holders of US property last year sold or \$37.5hn of US shares and bonds, a four-year record partially disposed of \$17.59bn of US properties, nearly a quarand more than Japan's current ter of the total US property account surplus in that portfolio built up by Japanese

were right to do this.

their investment boom in 1985,

thal, the US accountancy firm.

At the same time, Japanese

rding to Kenneth Leven-

the finance ministry, for the first two months of this year. dramatic change reflects Japanese investors loss of confidence in the dollar, pased on suspicion that the US administration is tempted by competitive devaluation, according to Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

seen by the Fed and the Bank of Japan has not yet restored confidence," he said. All this suggests that the International Monetary Fund is right to believe that there will this year be little change in Jspan's record

\$131bn current account surplus

At the same time, Japanese investors have sharply reduced their purchases of dollars since the turn of the year thereby weakening the US currency—and no doubt proving that they Yat these forces were in place before the latest surge in the yen, inviting the question wby did the foreign exchange markets choose now to move. One popular explanation is the emergence last week of a weak minority Japanese gov-ernment, unlikely to agree on tax cuts needed to stimulate demand and so likely to frustrate the US, which will then be tempted to push up the yen

The flaw in that view is that the new government is not much weaker than the last one; and a strong Japanese administration might in any case worsen the US trade dis

But there is a real political risk that this and future gov-ernments will lack a clear economic agenda, argues Mr Paul Summerville, director of Asian research for Lehman Brothers

That implies little chance of enlarging the tentative recov-ery, so far limited to areas like housing and public works, which do not consume large amounts of dollars. Renewed fears of inflation in

the US, fuelled by recent data, is another new factor. Either way, the brute weight of money is what counts in the

Foreign exchange analysts in Tokyo expect a fresh attack on the dollar and upward push on the yen as soon as the Golden Week holiday ends on Friday.

They predict that joint intervention by the US Federal Reserve and the Bank of Japan will be tested to new limits.

# Miti angered by US view of trade practices

By Michiyo Nakamoto

Japan's

try has responded angrily to s US report which criticised Japanese trade practices as ambiguous, lscking in objectivity and in many ways based on faulty or questionable analysis. We cannot understand clearly what is the standard of their judgment," said Mr Sozahuro Okamatsu, the trade ministry's vice-minister for international affairs, in response to the 1994 National Trade Estimate Report on Foreign Trade Barriers published at the end of March. Because Super 301. was revived by the US, the 1994 report, unlike previous NTE reports, becomes part of tha process of invoking the Super

Ministry

International Trade and Indus-

of

against countries it judges to In a formal written response presented to the US embassy in Tokyo yesterday, the trade ministry notes that Super 301 goes "against the letter and spirit of the Gatt and the Uru-

301 trade hill which allows the

US to unilaterally retaliate

guay Round accords." Having said that, many

The US has delayed for two months trade action against China for its failure to enforce intellectual property rights and against Japan for discriminatory government procurement practices, writes Nancy Dunne in Washington. The postpone keeps the focus on China's human rights policies a month before President Clinton must decide whether to renew China's Most Favoured Nation trade status. It also gives Japan's new government time to address US complaints about barriers to US telecommunications and medical equipment companies when bidding on government contracts. Mr Mickey Kantor, US trade representative, said some progress was made on Japan's procurement practices in talks at Marrakesh with Mr Tsutomn Hata, now premier, and the US "will assess the seriousness of any official Japanese response". On intellectual property rights China as well as Argentina and India "pose the most significant problems in this area".

report lack theoretical or factual basis, Miti says. For exam-ple, the report's assertion that Japan's large and persistent (current account) surpluses indicate an imbalanced approach to trade in Japan and have depressed production and employment in many of not be supported by the facts, the trade ministry points out.
Miti said that Jspan's surpluses are not proof of closed markets, but instead indicate an imbalance of savings and

investment. Countries such as

Hong Kong and Singapore, which clearly have low trade

barriers, also have trada surphises, it noted. In addition, Japan's low average tariff rate on manufactured and mining products - at 2.2 per cent, compared with 5.4 per cent for the US and 5.7 per

cent for the EU - and its low number of items subject to tion in the USTR's report that Japan is significantly less open to imports and foreign direct investment than other countries, Miti said. To cut Japan's surpluses it is necessary to raise investment in Japan and change the balance of savings

Rofsanjani is a source of realism in the government. Wa can see that in the restraint Iran hae been showing in not Japan's foreign ministry yesterday defended its policy of ties with Iran following allegaexporting revolutionary Islamic ideology to neighbours such as Afghanistan, Azerbaiian and Armenia.

Japan had an interest in achprovided conclusive evidence ieving stability in the Gulf, tions involving the IRA are completely new and have come since more than 50 per cent of Japan's oil supplies come the United Arab Emiratee and as s complete surprise to us. If Iran is linked with the IRA, Saudi Arabia.

gesting links between the Iranian government and assassinations, noting that since the relief to the US and UK. Both opponents of the regima in Tehran have been killed. They include the former bodyguard of the Shah killed in Turkey two years ago, the assassina-tion of Mr Mohammad Hassan Iran's beleaguered economy, including rescheduling \$2.3bn Arbab in Pakistan last June: the machine-gunning of four members of the Kurdish Democratic Party in Berlin in 1992, and the dramatic killing of the former Iranian prime minister, Mr Shahpour Bakhtiar, in

hydro-electric power project.
Ministry officials yesterday
said the aim of this strategy
was to support the "pragmatists" in Tehran. These moderate elements, led, secording to the officials, by President Ali Akhar Hashemi Rafsanjani, are on the defensive because of Iran's deteriorating economy. The danger was that President Rafsanjani could fall, to he replaced by someone worse.

"Iranian politics is complicated and it is far from clear what would happen if he (President Raisanjani) was ousted. But it could lead to an extreme form of government, and that would not be in the international community's interest," said one official.

The ministry pointed out that German, Austrian and Danish companies had carried out similar rescheduling programmes. "The rescheduling issua is over because of the Europeans," said an official. in any case, ha explained, the Japanese government, given its free-market policies, did not have the authority to prevent ing. US trade with Iran was expanding and was already greater than Japan's, he added.

"By having reasonable relations with Iran, we have some influence. The Iranians, for example, are being very careful with the North Koreans [about missile technology," the offi-

tions last week that Tehran has been supporting terrorist groups including the Irish Republican Army and the Jap-The ministry said its policy was not motivated by oil. Iran supplies hetween 7 per cent The ministry was attempting to deflect criticism of Japan's and 8 per cent of Japan's oil independent Iranian policy requirements, compared with which is likely to be on the more than 30 per cent before agenda at July's G7 summit.
Officials indicated that the polthe Iranian revolution. However, officials conceded that icy could be reviewed if the UK

> Ministry officials said they were aware of incidents sugbeginning of 1991, at least 12

mbidia pest

Paris in 1991. The Japanese foreign ministry said it had no evidence directly linking the assasslnations with the Iranian government but cite investigations into the murder of Mr Bakhtiar which led French prosecutors to conclude that Vevak, Iran's secret service, was responsible for the murder.

Ministry officials said they

were aware of reports suggesting members of the Japanese Red Army had visited Tehran late last year together with elements of the IRA, Ahu Nidal and other groups. They had also heard suggestions that the Japanese then travelled to the Beka'a Valley in Lebanon to be trained hy members of the Iranian Republican Guards with the intention they should conduct joint assassination missions with other extremist groups in the US and Europe. If the UK was able to provide Iran and the IRA, this could affect Japan's policy, the officials said. The moment for decisive action has not yet arrived, however. "Until we are provided with proof, it would be premature for Japan to take sanctions against Iran," they



# The tabloids pick on Ozawa

By Emiko Terazono

In an affort to ease that boredom of a long and crowded commute, many Jananese salarymen reach for the tabloid sports dailies, rolled up in high pillars at the front of newstands, before boarding their trains to work.

And the tabloids seldom disappoint. While office workers get their mainstream dallles dsilvered to the door, the aports tabloids, lacking the extensive distribution systems of the large newspapers, try to front pages and lurid head-

papers provida their readers with a mish-mash of coverage - last night'a baseball and soccer results, photos and comics of scantily clad women, the latest in showbiz gossip and the recent goings on in Nagatacho, Tokyo's political district.

The sensational, and often bizarre stories, together with unrestrained assaults on the mainstream press and public figures, hava continued to attract more readers. The top four sports tabloids

 Sports Nippon, Nikkan
 Sports, Sankei Sports and Hochl Shimbun - with a total circulation of 2m, have seen their sales rise by 2 to 3 per cent a year, whils circulation growth at the mainstream dal-lies has been flat for the past

The frustration among white collar salarymen as a result of the prolonged recession has also helped the tabloids' sales. The mocking captions, anti-es-tablishment attitudes, and of course the smut, have even caught tha imagination of eate businessmen, who strictly limit the scanning of such papers to



Ozawa: his comparison of the parliamentary alliance to an extramarital affair was picked up by every tabloid

and home. Political covsrege, usually tucked alongsids advertise-ments for sex telephone lines and office workers' blue suits, has recently managed to find its way onto the outsids pages. Bypassing any attempt at high-handed analysis, the tabloids have opted to provide their readers with frivolous

information about politicians and the squabbles in Naga-tacho, subjects usually untouched by the morning dai-

When the new cabinet was announced last week, Sports Nippon and Nikkan Sports carried tables which provided blood types, horoscopes, and ministers. Nikkan wondered it Prime Minister Tsutomu Hata, a Virgo with blood type O, could manage the heln

With the political Interests and coalition turmoil becoming too complicated for the tab-loids - and the ordinary Japanese - to follow, the downmarket press have mada things simpler by lambasting Mr Ichiro Ozawa, tha coali-

Mr Ozawa'a comparison of last week's creation of the parliamentary alliance "Kaishin" or innovation, to an extramartial affair was picked up by every tabloid. "It doesn't matter how many women one sleeps with. If the Socialist Democrats feel jealous they have only to come and join us," he said in response to the outcry among tha socialist members, who have been strongly opposing any grand union among politi-

In an article beside a photo of Tonya Harding, the Nikkan Gendai called Mr Ozawa an "Immature and defective human being," condemning his sexist slurs and another loose comment in which he suggested the Asahi Shimbun, a centre-left daily with anti-Ozawa tendancies, ahould be blown up with a nuclear bomb. Maanwhile tha television commentators over the weekend poked fun at Mr Hata's

end poked fun at Mr Hata's quastionabla ability as a leader. One prime time programms offered film clips of newly appointed ministers clad in their 1920s-style suits, scrambling for photogenic positions at the ritual picture taking of the cabinet Mr Koii king of the cabinet. Mr Koji Kakizawa, foreign minister, and Mr Mutsuki Kato, agriculture minister, seemingly unaware of the rolling carnera, ignored Mr Hata's protests to let the "women in the front," and shoved aside fellow cabinet members to stand in the front row with the prime minister.

### Seoul to increase watch on North

By John Burton in Secui

South Korean President Kim Young-sam yesterday ordered increased surveillance of North Korean military movements in response to its threat to disband the military armistice commission.

South Korean defence forces were placed on temporary alert on Saturday after between 15 and 20 North Korean aircraft were detected flying close to the demilitarised zone between the two Koreas The aircraft manoeuvres indicated increased military exer-cises by North Korea. North Korea has threatened

to pull out of the military armistice commission, which supervises tha truce that ended the Korean War of 1950-53, unless the US holds negotiations with Pyongyang on a peace treaty to replace the 40-yaar old armistice

The US has refused the demand, explaining the dis-pute over North Korean nuclear inspections must be resoived first. Western diplomats in Seoul

believe that North Korea is using the peace treaty proposal as a new bargining chip in the international negotiations over nuclear inspections. Those negotiations appear to be at a standstill after North

Korea last week rejected conditions set by the Interna-tional Atomic Energy Agency for new inspections of its nuclear sites, including super-vising the refueling of its 5MW reactor. The US is concerned that unsupervised replacement of the reactor's fuel rods this month will allow North Korea to divert enough plutonium to produce four or five nuclear

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Yitzhak Rabin passes behind US and Israeli flags after his Jerusalem meeting yesterday with Warren Christopher

# Palestinians to have right to set up stock market

Palestinians preparing for self-government in the Gaza Strip and West Bank enclave of Jericho will have the right to establish a stock market, issue bonds, create an embryonic central bank and work towards a trade surplus with Israel, Israeli officials said yesterday.

Although the economic accord signed between israel and the Palestine Liberation Organisation last week makes no reference to a stock market or Palestinian bonds, Israeli officials said they were implicit in the agreement.

Mr Avi Ben-Basat, head of research at the Bank of Israel, said yesterdey the incoming Palestinian Interlm Self-Governing Authority could estab-lish a stock exchange which would be governed by e securities authority similar to Israel's. Palestinians, foreign-ers and Israeli citizens would be able to invest.

Under the economic protocol, Palestinians will create a Palestinian Monetary Authori-ty(PMA) responsible for licensing, eupervising and inspecting banks; determining the liquidity requirements on all deposits beld by banks operating in the self-rule areas; and

By Julian Ozanne in Jerusalem managing foreign exchange plus with Israel leaving the ment the Palestinians would reserves and foreign currency self-rule areas with an excess of Israeli shekels which would transactions.

The agreement says the PMA remain the legal tender. Under the accord the PMA will also have the power to regulate and supervise capital activities in the self-rule areas has the right to convert excess Israeli shekels into foreign curincluding the licensing of capireocy at the Bank of Israel tal market institutions, finance according to a mutually agreed companies and investment

'We have a big interest in their success because their success will stabilise peace in the area'

Mr Basat said these provi-sions implicitly allowed for a stock exchange although he thought the Palestinians would

first build np a money market.
"They may concentrate on the money market because it is not developed enough today," he said. "But they have the right to create all the institutions they need for an efficient capital market."

Mr Basat said the new trade policy of the accord, which allows Palestinians to import directly and boost exports, could eliminate the current \$300m trade deficit with (srae). possibly creating a trade sur-

Israel and the self-rule

Mr Basat said this, combined with exports to the rest of the world, foreign aid and loans, could lead the Palestinian self-government to accumulate foreign currency reserves which could back eignificant bond issues. Palestinian and other Arab nationals would be the most likely investors in the new bonds. which would be an important source of financing for the activities of the self-government.

Mr Basat said the monetary authority was not a central bank because under the agree-

nol be allowed for the moment to issue their own currency and would therefore be limited in their ability to influence

monetary policy.

Israeli officials said the decision oot to allow a Palestinian currency was largely political because it was an issue of "soyereignty". But Mr Basat said there were also significant economic reasons behinds Israel's refusal.

He said a common currency made trade relations much easier and cheaper, prevented Palestinian migrant workers from incurring high conversion fees and allayed Israeli fears that the Palestinian self-government would print money to finance its activities rather than work on collecting taxes

and so risk high inflation.
"You could say high inflation was a Palestinian problem but we have a big interest in their success because their success will stabilise the peace in the area," he said

However, Palestinian economists and bankers said the PMA would be effectively an embryonic central bank that would be well poised to take full control over monetary policy within a year or

# Yemeni clashes heighten fears of civil war

By Eric Watkins in Sana'a

Yemen's quarrelling political leaders yesterday exchanged heated recriminations following last week's battle near Sana'a which, officials say, left 79 dead and 119 wounded.

Reports of further claehes between rival northern and southern milltary units throughout the country have added to the growing tension, fuelling fears of a civil war.

President Ali Abdullah Saleh, the northern leader, yes-terday accused his southern rival, vice-president Ali Salem al-Biedh, of "secessionism" and vowed to use military force sgainst him if necessary. "This is a decisive battle and we will have to fight it if we are forced to defend unity...and con-front secessionists," General Saleh said, addressing southern soldiers who surrendered after the battle last

Referring to the battle at Amran, about 50km north-west of Sana'a, Mr Biedh said: "This means the launching of an all-out civil war", and Gen Saleh was "personally and fully responsible for all that

Mr Biedh repeated his charges over the weekend in telephone conversations with key Arab leaders, including Egypt's president Hosni Mubarak, Saudi Arabia'e King

Gen Saleh, who himself sent a personal envoy to King Fahd on Friday, has frequently accused Saudi Arabla and other "outside forces" of supporting Mr Biedh and his

Fahd and Libya's Colonel Qad

Yemen Socialist party.
"Yemen's ruling presidential council echoed those charges on Friday, saying that Mr Biedh and the socialists wanted the Arab League and other Arah countries to interfere as an excuse to deploy more military forces along the former border between north and south Yemen.

As the war of words esca-lates, observers fear further armed clashes, especially along the old border where rival troops already stand on alert. But flash points are more likely at southern military bases located in the north and northern ones in the

# Cambodia peace talks put off as fighting flares

By Victor Mallet in Bangkok

Cambodian peace talks scheduled to begin yesterday between Khmer Rouge guerrillas and the Phnom Penh government have been postponed indefinitely amid some of the most serious fighting in the country for five years.

King Norodom Sihanouk offered to bost the negotiations at his royal palace, but the continuing warfare in northern and western Cambodia together with complaints from Klimer Rouge leaders that their safety could not be guaranteed in Phnom Penh meant

the talks had to be called off. "We must put an end to this war but no-one listens to me," a downcast King Sihanouk told Cambodian journalists. The round table cannot take place for the time being because there is a very serious difference between Phnom Penh and

the Khmer Rouge." Khmer Rouge guerrillas recently recaptured their headquarters at the gem-mining town of Pailin near the Thai border and their northern stronghold at Anlong Veng. and are intensifying their attacks on government-held

A Buddhist monk and a nun were killed in the north-west on Saturday by the Khmer Rouge, while taking part in a "peace march" in the company of government soldiers: six men working for a Cambodian mine-clearing project are believed to have been killed in

an ambush; and fighting has closed the main road linking to Thailand to Cambodia to all but military traffic and forced the evacuation of UN staff from Sisophon.

In the south, four westerners are being held by the Khmer Rouge as part of what seems to be a new tactic of hostage-taking, and embassies have urged their nationals to take care while travelling. Tens of thousands of Cambo

dians have fled the fighting, either to other parts of the country or to Thalland. The Cambodian government is now considering legislation to outlaw the Khmer Rouge. A year ago this month, Cam-

bodians went to the polls at the culmination of a \$2bn UN peacekeeping operation. The outcome of the election was a coalition government bringing together the royalist Funcinpec party and the previous communist administration, but the Khmer Rouge refused to take part or to relinquish territory.

The guerrillas, although weakened by popular support for the UN-sponsored peace process, bided their time until the departure of most of the peacekeepers.
According to Prince Ranar-

iddh, senior prime minister and Funcinpec leader, the government's policy is to keep the door open for talks with the Khmer Rouge while weakening the guerrillas militarily. At present, however, it is the government army which is on the

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## Taiwan deputies shout out about overseas votes

About 40 opposition deputies yesterday stormed out of a ses-sion of Taiwan's National Assembly after leaping onto their seats, screaming and unfurling protest banners as President Lee Teng-hui began an address, Reuter reports from Taipei.

"Long live Talwanese. Oppose overseas Chiuese voting for the president," deputies in the main opposition Democratic Progressive party (DPP) chanted as the assembly convened a three-month session to debate constitutional reforms

"Look clearly Mr President," a DPP assemblyman screamed as he and colleagues held up banners reading: "Giving overseas Chinese the right to vote for the president is like luring a wolf into one's home."

Under a political reform package proposed by the ruling Nationalist party, ethnic Chinese living outside Taiwan and China will have the right to vote for the island's presi-

DPP deputies oppose the proposal, arguing many of the overseas Chinese do not pay taxes and have dual citizenship. "The loyalty of overseas Chinese to Taiwan is questionable," one DPP assemblyman

According to government statistics, there are ebout 34m overseas Chinese worldwide. Taiwanese authorities are still studying how many would be eligible for absentee balloting.

The package needs the approval of the 314-member assembly, dominated by the Nationalists who hold 247

Mr Lee appeared indifferent to the walkout and screaming and continued with his speech. "We cannot cut ourselves off from society and amend the without constitution basis...We must gradually revise concepts, laws and systems which are out of keep-

ing with the times," he told

Outside the assembly chambers, DPP deputies shouted insults at deputies appointed to represent overseas Chinese. Barlier, a group of DPP assemblymen charged the podium, jumped onto the chalrman's table and ripped away microphones to protest the presence of plainclothes men in the chambers, delaying

the start of the session. The reform package also calls for the lutroduction of direct presidential elections by popular vote - an issue which had previously divided the

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### **NEWS: INTERNATIONAL**

Presidential election hopes prompt moderation

# Brazilian Workers' party softens policy

By Angue Foster in São Paulo

Brazil's left-of-centre Workers' party (PT) has agreed a watered-down policy on the country's foreign debt which ahould help the election chances of its leader, Mr Luis Inácio Lula da Silva, front-runner in polis for October's presidential elections

dential elections. At the party's annual conference at the weekend, Mr da Silva and other moderates saw off calls for an immediate moratorium on Brazil's foreign debt if the PT won the presidency. Instead, a future PT government will seek to rene-gotiate existing accords and only suspend payment as a

creditors' intransigence. Brazil is the developing

month closed a \$49bn (£33.5bn) debt rescheduling after four years of negotiations. PT leada bad deal for Brazil and that their government would seek better terms. However, some analysts believe an incoming PT government would have

many other more urgent domestic problems to confront. At the annual conference. several delegates attacked the International Monetary Fund and said debt payments should stop if they threatened Brazil's foreign reserves, standing at

Mr da Silva, who has moved from the left to the centre of the party since his defeat in

the last presidential election in 1989, also moderated other policies in areas such as foreign

include social issues such as education, health, agricultural reform and land.

is comfortably ahead of his nearest rival. Mr Fernando Henrique Cardoso, former finance minister. Full cam-paigning will probably not get under way until after the foot-ball World Cup final in the US

in July. Mr Cardoso was yesterday expected to announce a forma election alliance between his party, the centrist Brazilian Social Democrats (PSDB), and the right-of-centre Liberal Front (PFL), the second largest party in Congress. The alliance will give Mr Cardoso support in north-east Brazil, where the PFL is strong but Mr Cardoso

# Growth in international business

During the first six months of fiscal 1994, international business compensated for continuing overall weak domestic demand. In particular, major projects and the initial consolidation of Osram Sylvania (U.S.A.) contributed to double-digit growth rates in business outside Germany. Overall, new orders rose 9%, and sales 3%. Net income remained at the previous year's level.

#### **Orders**

During the period under review, Siemens recorded new orders worth DM44.4 (1993: DM40.9) billion. Following a strong start at the beginning of the year, international orders continued to show solid growth rates in the second quarter. At DM26.9 billion, new orders exceeded the comparable year-earlier figure of DM22.2 billion by 21%. A considerable part of this growth is attributable to the initial consolidation of Osram Sylvania, Inc., U.S.A., as well as to several orders for major projects. Domestic business, in contrast, has not yet recovered on a broad basis: orders decreased to DM17.5 billion, compared with last year's DM18.7 billion. Hardest hit by weak domestic demand were the Industrial and Building Systams, Automation, Public Communication Networks, and Power Transmission and Distribution Groups. Strong international orders more than offset the weak domestic business of the Drives and Standard Products, Automotive Systems, Medical Engineering, Private Communication Systems, and Power Generation (KWU) Groups. The Semiconductors Group benefited from favorable domestic and international market conditions and showed a significant increase in orders

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Information for Siemens shareholders

#### Sales

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Worldwida sales rose 3% to DM38.0 billion, compared with DM37.0 billion a year earlier. International sales developed more favorably than sales in Germany. where a decrease to DM15.6 (1993: DM17.2) billion was recorded. In contrast, international business climbed 13% to DM22.4 billion from DM19.8 billion a year earlier. Without Osram Sylvania's consolidation, overall sales remeined flat. Growth drivers were egein the operating units in the components business end the Transportation Systems Group, Siemens Nixdorf Informationssysteme AG (SNI) recorded growth in international seles, but this was not enough to compensate for weak domestic demand.

#### **Employees**

At 31 Merch 1994, the number of employees worldwide was roughly 397,000, or 6,000 more then at the end of fiscal 1993 (30 September). The total of 14,000 employees edded by the inclusion of newly consolidated companies, primerily Osram Sylvania, exceeded overall workforce reductions of 8,000. The number of employees outside Germany rose by 11,000 to 164,000, contrasted with a decrease in the domestic staff by 5,000 to 233,000. SNI and the Medical Engineering end Public Communication Networks Groups, in particuler, were affected by the downsizing. Corporate departments and infrastructure services also recorded e significant decrease in the number of employees. In contrest to general personnel reductions, the number of part-time positions increased by 2,000.

Capital spending and net income Capital spending during the first six months totaled DM2.4 (1993: DM3.5) billion, the decline being meinly due to fewer acquisitions. The prior year's figure reflected the acquisition of Sylvania's North American lemp business from GTE Corporation, U.S.A. Net income, at DM879 (1993: DM877) million, remeined at the previous year's level.

DIM billion	1/10/92 to 31/3/93	1/10/93 to 31/3/94	Change
Orders	40.9	44.4	+9%
German business	18.7	17.5	- 6%
International business	22.2	26.9	+21%

DM billion	1/10/92 to 31/3/93	. 1/10/93 ta 31/3/94	Change
Sales	37.0	38.0	+3%
German business	17.2	15.6	9%
International business	19.8	22.4	+ 13%

'000s	30/9/93	31/3/94	Change
Employees .	391	397	+2%
German operations	238	233	-2%
International operations	153	164	+ 7%

	1/10/92 to 31/3/93	1/10/93 to 31/3/94	Changa
Capital expenditure and investments DM billion	3.5	2.4	-33%
Net income after taxes DM million	877	· 879	0%

unaudited accounts

### Siemens AG, Berlin and Munich

### Election threat to Ecuador reforms

By Raymond Colitt in Quito

Opposition parties yesterday won a convincing victory in Ecuador's mid-term congressional elections, threatening Durán Ballen's economic

The president's Republican Unity party lost six seats in Congress and together with its ally, the Conservative party, now commands only nine of the 77 congressional

The overwhelming winner of Social Christian party, with seats or one-third of the power in parl-

President Darán insisted that "a couple of representa-tives less in parliament won't change the course of my gov-

The president added that even without a legislative majority during his first two uring the country.

In order to continue and advance his state modernisation programme the president must forge alliances with opposition parties, notably the Social Christian party. Its leader and 1992 presidential candidate, Mr Jaime Nebot. indicated that his party supported a reduced state sector but at the same time would demand more social compensation for those affected by

To move ahead with the privatisation of strategic sectors of the economy, the government will require congressional approval of pending legislative proposals.

According to opinion polls, the outgoing Congress was the most unpopular since Ecuador returned to democracy in 1979. As a result, voter apathy was considerable.

If Ecuadoreans approve tha proposal to elect congressmen for four years, as stipulated in the plebiscite to be held on July 31, these could be the last mid-term congressional elec-

Critics argue that months of campaigning significantly impedes the legislative pro-



# Zedillo faces fallout from **Mexican row**

By Damian Fraser in Mexico City

Mexico's opposition has demanded that a cabinet minister be investigated for using public funds to support Mr Ernesto Zedillo, the governing party's presidential candidate, in what may be the first test of the government's willingness to abide by new electoral laws that outlaw such activity.

The opposition demand follows reports that Mr Carlos Hank González, the agriculture minister, arranged the publication of a newspaper advertisement in which 57 current and former ministers expressed their support for Mr Zedillo. The advertisement, which was published on April 12, has been much criticised, in part because signatories included ambassadors and a supposedly non-partisan electoral official

The accusation - backed by a photocopy of a letter to tha 57 signatories, signed by Mr Hank González's private secretary - is that the agricultural minister used official tele-

phones, faxes and secretarial time in rallying support for Mr Zedillo. Mexico's new electoral law forbids such activities, and punishment could include a

prison sentence.

The opposition demand is particularly embarrassing for Mr Zedillo, as Mr Hank Gonzalez is his most powerful ally among the party's old guard. If any action was taken against Mr Hank González the fragile coalition in the Institutional Revolutionary party that sup-ports Mr Zedillo would come under strain.

in an interview Mr Zedillo was defensive. "It is not proved. A photocopy of something is not proof in either this country [or] yours," he said. The PRI has also been critic-

ised for apparently backing down on its promise to publish its spending in the alection campaign. Mr Zedillo said last week he would inform the public just once of the spending in his campaign before August's election, and refused to disclose how much the governing party had spent to date.

### NEW CHIEF AT HELM OF VENEZUELAN CENTRAL BANK

# Casas pledges to defend foreign exchange system

Mr Antonio Casas González, an economist with experience in domestic and international finance, took over as president of Venezuela's central bank at the weekend following three days of pressure on the nation's foreign currency reserves and a sharp decline in the bolivar.

In Mr Casas' first public statement as head of the cen-tral bank he underscored his commitment to defending the institution's autonomy and pledged to maintain the system of supply and demand of for-eign exchange in effect before last week's crisis, when his predecessor resigned. The Venezuelan central bank

controls more than 90 per cent of the nation's foreign

Prohlems hegan last week when Mrs Ruth de Krivoy resigned from the bank presidency; her departure precipi-tated a rush to buy US dollars. Mrs Krivoy resigned after

two years in the post because she felt the government of President Rafael Caldera was trying to compromise the bank's independence. The government quickly appointed Mr Casas as governor but at the same time the

central bank was trying to slow sales of dollars to commercial banks, some bankers

The initiative, which was

exchange reserves and its presence on the exchange market, until recently managed under a crawling peg system, is an important factor in determining the value of the bolivar. Problems began last week started last Wednesday but which was not encouraged by the Caldera government, succeeded only in raising fears of exchange controls. On Friday the central hank set an informal limit on select to comment. mal limit on sales to commer-cial banks and the bollvar surfered its worst decline against the US dollar in the last 16 months, falling by 4.6 per cent

to close at 124 to the dollar.
At midday yesterday the bolivar continued to fall and demand for dollars was so strong that some banks ran out of US notes. At one commercial bank in Caracas, Banco Ven-ezolano de Credito, the dollar opened yesterday morning at 126 bolivars to the dollar and closed just before noon at 132.

This amounted to a devoluetion of 4.5 per cent in only a

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months who will be South Africa's next So the betting classes have had to focus their wagers on the post of first deputy president, effectively the prime minister. Mr Mandela has so far given away no secrets on his intentions for this post, or for any other in the 27-minister cabi-

Before making these appointments he is required to consult the leaders of other parties represented in the planned gov-ernment of national unity: all parties with more than 5 per cent of the vote are entitled to representation in proportion to their share of the national vote, and others may be invited in at his discretion.

But the final decisions are his, and it seems unlikely he has mads them yet. Indeed, ministerial horse-trading probably cannot begin until after the final electoral results are known and it would take a clairvoyant to know when that

Under the constitution, the National party (as the second largest) is guaranteed the post of second deputy president. This post will be filled by Mr F.W. de Klerk, the incumbent

The toughest appointment will be that of first deputy president, with the winner becoming Mandela's heir-apparent, writes Patti Waldmeir

wants ministers in three broad and social affairs. And Mr Mandela seems inclined to cede powerful posts in each cate-

However, the odds are that these will not include the important post of minister of

Businessmen and international investors, who have pinned their hopes on the incumbent minister Mr Derek Keys continuing in office, will probably be disappointed.

Mr Mandela's African National Congress sees the upliftment of black South Africans as the central mission of its 80-year liberation struggle; it is unlikely to put the main economic portfolio in the hands of a member of the outgoing government. While Mr Chris Stals, the central bank governor, will remain in office (Mr Mandela has guaranteed

this), Mr Keys could be offered the post of minister of trade and industry. He previously indicated no

interest in the joh hut may have reconsidered. Indeed, the Finance Ministry could turn out to be the linchpin of the whole cabinet struc-

Once this post is filled it will determine other appointments for there is only one man in the ANC team who would make a remotely credible minister of finance - Mr Thaho Mbeki, the ANC's shadow for-

Mr Mbeki is a class act, and the ANC has used him as a kind of unofficial ambassador to white South Africa. Businessmen breathe an almost audible sigh of relief when they know they have the Mbeki to deal with. He has a

from Sussex University, although oo hackground in finance. But he is well known internationally, and has the confidence to handle international negotiations well. Uoder the circumstances, Mr Mandela could probably make

no better choice. The decisioo could have a significant loog-term impact on the future of South Africa. For if Mr Mbeki was appointed finance minister he could not become first deputy president. The leading cootender for that post then would be Mr Cyril

Ramaphosa, ANC secretary

geoeral. The winner will become undisputed heir-appar-It is a difficult choice, for both meo are well qualified for the job. Mr Mbeki, 51, is older and more experienced. Mr Ramaphosa, 10 years his junior, has a ruthless political instinct which he used to win a

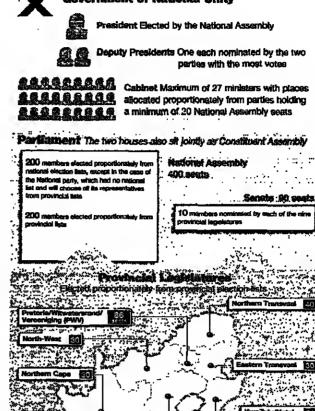
constitutional deal which vastly favours the ANC. Few politicians can better him in battle. At the moment he looks the more likely choice, although only Mr Mandela knows for sure.

The ANC leader must also find cabinet space for one of his closest advisers, Mr Joe Slovo, chairman of the South African Communist party, who could win a security port-

Mr Jay Naidoo, the union leader, could be made minister of reconstruction and developmeot, a special economic post. National party ministers must also be catered for.

Mr Mandela has said he would look favourably on Mr Kobie Coetsee, the incumbent justice minister and a hardliner whom the ANC leader came to know while still in jail, Mr Roelf Meyer, the Netional party's chief constitutional negotiator and a leading "enlightened" nationalist, and Mr Pik Botha, the long-serving foreign minister.

Far more difficult will be suthu Buthelezi, leader of the Inkatha Freedom party, who could be made a third deputy president in the interests of national unity, and Gen Constand Viljoen, leader of the



right-wing Freedom Front, whom Mr Mandela has said be would like to accommodate than 5 per cent of the national

Bets can still be placed, but time is running out. By the end of this week, or early next, the

## 'If it was not so tragic, it would be funny'

"Our only comfort is thet the television broadcasters are making a higger mess than we are," admltted an election official in a candid moment.

But the authorities at the SABC, the national broadcaster, would have good reason to cootest that assertion.

Journalists who had planned to cover what shoold have beeo the inspiring story of Sooth Africa's historic first all-race elections have been forced into writing about the cootioolog ioefficiency of South Africa's Independent Electoral Commission, charged with running the elections.

The list of prohlems is seemingly endless. The IEC, having botched much of the four days of voting through a string of logistical oversights, now seems hard pressed to complete the counting process

At Gallagher Estates, the plush cooference centre just ontaide Johanneshurg that was presented to the world as the information nerve centre of the election, nobody seems to know what is going on. Increasingly irritated media handed ont-of-date election results that have been taken off the wire services.

When new information does arrive, raw figures are distributed without verification or explanation,

And when, following complaints, an official issued a hreakdown of voting in percentage terms, a hasty calculation showed the figures were incorrect.

The laager meotality - once nsed to describe obdurate, apartheid-era Afrikaner politicians - has become a better description of many commission officials who have retreated into defensive mode. hlaming each other and, more frequently, DEC head office for

"The IEC has taken note of your legitimate complaints and will seek to remedy them the soonesi opportunity. has become the stock phrase of the mild-mannered Humphrey Khosa, the IEC official given the thankless task of dealing with the

Nonetheless, at the numerous press conferences designed to guarantee "full transparency" of the election process, comments are almost invariably opaque.

Mind-boggling declarations such as the fact that "formally unverifiable votes will be specially counted" are routinely issued.

Justice Johann Kriegler, head of the commission, claimed that the assessment and apportionment of all such techoically invalld votes would be decided according to "a quantity thing, a distribution thing, a general

pattern thing". In an effort to speed op the flow of results the commission has jettisoned nearly all the safety precantions installed to prevent voter frand – first hy having to print millions of new ballot papers without the security counterfoils and then, instead of counting hallots only from sealed official ballot boxes, declaring that votes delivered in cardboard boxes and eveo plastic bags were

Even more serious, instead of checking each ballot box received at counting stations with information from each polling station as to the oumber of boxes delivered. which is required nnder the electoral law, all votes received are being counted immediately.

"Reconciliation", sceptical listeners are told, will oow follow after the results are released. Indeed, the much-trumpeted "verification procedure" consists of little more than IEC headquarters phoning up counting stations to doublecheck on the figures transmitted.

And, when that information is counted, instead of being immediately relayed, as promised, to the hundreds of the journalists gathered at the conference centre, it is transmitted by modem to two outdated personal computers. Even this limited operation hit snags; when the wires went down early on Snnday morning, attempts to rouse a sleeping technician to repair the damage were foiled when his mother refused to wake

One party official summed it up this way: "If it wasn't so tragic, it would be funny."

him up.

Mark Suzman

# Next chapter unclear after fairy-tale start

South Africa has emerged as the results trickled in; 14,000 lives over the past 10 triumphant from the most perilous stage of a revolution without precedent, and its citizens seem bemused by their

After more than three hundred years of supremacy, the white minority last week finally, irrevocably and peacefully surrendered power at the ballot box to the country's black majority.

The full details of this astonishing - some say miraculous event are not yet known, for the election commission is still ballot papers.

And one major obstacle which could jeopardise the prospects of a stable South Africa may yet emerge: the outcome of voting in KwaZulu/ Natal, stronghold of the Zulu leader. Chief Mangosuthu

Nor, at this stage, is it clear what may be the next step of the white right, whose extremists could yet destabilise South Africa with an assassin's bui-

But, as an exuberant president in the waiting, Mr Nelson Mandela celebrated the ANC's achievement at last night's victory party, taking satisfaction in a fairy-tale start to the new South Africa.

And, as he pressed ahead with the critical process of rec-onciliation, South Africa's remarkable political metamorphosis continued. In the television studios and

televised press conferences, on radio and on newspaper front-pages, one leader began assuming the mantle of power, and the other, incumbent President F.W. de Klerk, began shedding it. Before its eyes, South Africa watched a process unfold which has nelther precedent nor parallel in Africa, and perhaps the world.

Mr Mandela, oever less than a monumental personality, seemed to gain further stature almost perceptibly, the aura that comes with office seemed to desert Mr de Klerk, Nothing so became the two men, and the country in their charge, than this transfer of power, which is due to to be made formal at next week's inaugu-

ration in Pretoria. "For the first time I envy South Africans, for the first time I wish I could call myself South African," said one hard-bitten observer of many years standing last week. He had been moved almost to white embrace at a moving ceremony that took place at mid-

Nothing so became Mandela and De Klerk as this transfer of power

night on Tuesday. Seldom, if eyer, can the advent of democracy have been the instrument of catharthis so profound, so liberating, for rulers and ruled alike, as South Africa's unforgettable and moving experience last week.

Millions suffered undsr apartheid. But apartheid's vic-tims extended beyond its borders. Hundreds of thousands died in Angola, Zimbabwe and Mozamhique, the front-line states in the proxy battles to defend white rule. But last week, for a precious

few days, the pain of the past seems to have been eased, even thrust hriefly out of mind. A truce, undeclared and unspoken, in the political fighting that has cost more than

years was broken but not spoilt hy the bombs of the extreme right. In the 24 hours that ended yesterday morning, police reported that there had not been single death from political violence.

Joyous as the election was for blacks, it also became liberating for whites. As they cast their votes, many spoke of hav-ing the sense of casting off the burden of apartheid, whether or not they had supported the policy. Many were taken aback hy the simple - though unprecto the polling booths, black coloured and white, as equals, to chose a government that for the first time will reflect the will of the majority.

The orange, white and hive flag of the old South Africa was lowered at centres across the land, and the new one raised while choirs sang the region's hymn of liberation. now adopted as one of one of the official anthems of postapartheid South Africa: Nkosi sikele i'Afrika (God hless Africa).

For black South Africans in particular it was a proud moment, but for many Afrikaners it must have been a poignant, painful one. As that flag entered the history books, the other official anthem carried across the night air, sung in Afrikaans, and no doubt giving comfort to those fearful of what the future holds: Die Stem von Suid-Afrika (At thy call we shall not falter, firm and steadfast we shall stand. At thy will to live or perish, O

South Africa, dear land). Over the past week at least most white South Africans overcame their apprehensions. And whatever may happen in the future, for a few days, South Africa has basked in the glow of pride asserted, and

Michael Holman







On the road to change (clockwise from top left); Judge Johann Kriegler, IEC chairman, reflects on the electoral fiasco; an IEC official counts ballot papers in Cape Town; and ANC supporters anticipate victory as results filter in

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# Mixed-race voters ensure Nats triumph in the Cape

South Africa's mixed-race Cape Town as its capital. (coloured) citizens, who strad-dled the apartheid divide for almost 45 years, have voted to retain white domination at the Cape, where their hlack and white ancestors met in 1652, writes Brendan Boyle of Reuter in Cape Town.

Early results in South Africa's first all-race elections gave President F.W. de Klerk's white-led National party a commanding 30 per cent lead over Mr Nelson Mandela's largely black African National Congress in the Western Cape

lead was due to support from colonreds, who fared better under apartheid than hlacks but not as well as whites. Mr Hernus Kriel, the white law and order minister, told reporters he expected an outright win in the race for pre-

mier of the region, which has

Political analysts said the

Mr Allan Boesak, coloured ANC premiership candidate, conceded that defeat was immi-

nent: "The ANC will accept the outcome of the democratic process. As a people and as an ANC organisation in the Western Cape, we are ready to do whetever the situation demands of us." Earlier, radical ANC activist

Tony Yengeni, a member of the party's regional executive, broke ranks to talk of his sense of betrayal at the apparent NP lead. "Already the man in the street in the [black] township is feeling betrayed," he said. "We have been tortured and oppressed by the white man in this country for so long... and now a section of the population votes for the party that oppressed us to return to

The region's coloured community descends from early the later British arrivals had with the indigenous black population they found at the Cape. Mr Yengeni said ANC leaders would have to act decisively to prevent a black backlash against the mainly

cent of the 2.3m Western Cape Emotional ANC and NP supporters gathered and traded insults late on Sunday on Cape Town's Grand Parade, where Mr Mandela made his first public appearance after his release

from 27 years in jall in Febru-

Afrikaans-speaking coloureds,

who comprise almost 60 per

ary 1990. Ms Miriam Ebrahim wept as she watched NP members celebrating their liksly victory with shouts of "Viva F.W. de Klerk." She said: "It was our own people that stabbed us in

But Mr Andre Hofmeister, a

coloured whose name underlines his half-European ancestry, pointed to a crowd of ANC supporters dancing with posters of Mandela and said: These people are too stupid to realisa that, if a hlack man rules this country, it will be run into the ground."

In a squalid shantytown there was no echo of the animosity evident on the Grand Parade. Standing next to a wooden fruit and vegetable stand, an ANC supporter, Mr Emanuel Makunga, said that most blacks would accept the results peacefully as part of

the democratic process.

"This was a liberation election," he said. "People are more happy that they could vots for the first time than they will he upset that the ANC didn't win here. People respect the election process. But they won't be happy to be ruled by the same NP again."

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H. J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Beanz Meanz Heinz, is planning to create a new slogan - Heinz Meanz

Direct Marketing.
Mr Tony O'Reilly, the flamboyant chairman and chief executive of the Pittsburgh-based international food group, is planning to end UK commercial television advertising for his products this year and instead con-centrate on direct marketing. Mr O'Reilly believes the era of mass

marketing is giving way to more tar-geted selling techniques. The Heinz plan to give up television

advertising would be one of the most radical marketing moves in recent years by a food manufacturer. It comes as manufacturers of branded food products are facing growing competition from cheaper, own-label goods produced by supermarkets. The Heinz account is one of the longest established in television advertising. Heinz has already built up a data-base of 5.6m homes in the UK that are heavy users of the company's products. Mr O'Reilly plans to send special

discount vouchers directly to those homes, thereby bypassing conven-tional advertising media such as television and newspapers. The discount vouchers will be for individual Heinz products, such as baked beans, but

also for groups of Heinz lines.

Mr O'Reilly, who is also chairman
of Independent Nawspapers of Ireland, has decided that direct mar-keting is the most cost-effective way of maintaining loyalty to the brands.

The Heinz chief executive sees the plan as the start of a "guerrilla" campaign against the increasing power of the large supermarket groups, which,

he believes, sometimes treat branded "mis-redemption"

products cavalierly.

Mr O'Reilly wants to take control of discounting policy for his brands rather than leaving it to the discre-tion of supermarkets. He is concerned that Heinz products are often treated as mid-market products when they should be priced and displayed as preminm brands.

The Heinz chief executive is planning to send out discount vouchers mannounced and expects supermarkets to honour them. In particular, he hopes stores will support Food Manufacturers' Federation rules against

ers as payment for any product as opposed to those intended.

 Brand manufacturers have warned that they will reconsider UK investment plans unless curbs are put on supermarkets' "look-alike" products. The manufacturers are furious with the UK government's decision not to amend the trade marks bill to restrict the use of "look- alikes".

The warning has been given by Coca Cola, manufacturer of tha world's best-selling branded product, and by members of the British Producers and Brand Owners Group.

Britain in brief



#### Tories in fresh poll disarray

Britain's governing Conservative party was vesterday thrown into fresh disarray just four days before this year's first crucial electoral test, when a senior MP called for nearly a third of the cabinet and the party chairman to be replace The extraordinary public outburst by Mr David Evans,

member of the powerful 1922 committee of Tory backbenchers, undermined party efforts to mount a show of unity ahead of the local elections in four days' time. His remarks came after Mrs

Gillian Shephard, agriculture minister, implied that two out of ten Tory MPs did not fully support Mr John Major and that teams of supporters were already canvassing actively on behalf of two potential leadership candidates.

The local elections and the European elections in June, are expected to have a decisive bearing on whether Mr Major remains prime minister.
As senior cabinet ministers

lined up to mark the fifteenth anniversary of unbroken Tory rule by attacking the Labour opposition, Mr Evans called for six cabinet ministers and Sir Norman Fowler, the party

chairman, to go.

Speaking of "unease" in the party that Mr Major's closest advisers were "incompetent" he warned there were some 50 Conservative MPs who would not accept the prime minister "at any price".

#### De Savary denies collapse

Mr Peter de Savary, the flamboyant entrepreneur whose interests range from property to the oil business. yesterday angrily denied reports that his business empire was at risk of collapse It emerged over the weekend that some ten days ago Standard Chartered Bank,

which has been associated with Mr de Savary for a number of years, has appointed the accountants Robson Rhodes as administrative receivers to Piaceton, a property development company that three years ago represented 60% of Mr de

Savary's net assets.
"I greatly resent suggestions that de Savary is either wiped out, bankrupt, personally in trouble or no longer able to take a positive role in business", he said. That would

be very misguided."

He said he had personally lost £50m in the collapse, and made it clear he belived that his continuing operations were insulated from the demise of the Placeton operations.

#### Wool body to levy fee

The International Wool Secretariat, which licences the world's most recognised textile trademark, the Woolmark, is to introduce a £7,000 annual fee for the

symbol's use. The IWS has announced that from May 1 1995 it will charge spinners, weavers and manufacturers for the use of the Woolmark and Woolblendmark - assuring the quality of textiles containing a 60 per cent

minimum of new wool. Britain's wool industry has reacted angrily to the move, the Confederation of British Wool Textiles arguing a flat fee will penalise small producers. But the IWS says a sliding scale of charges for the symbol, used on 300m garments a year, would incur excessive administrative costs.

#### Car sales growth slows

The growth in new UK car sales has slowed during April from the strong pace set in the first quarter. The industry is unclear, however, whether the market is simply drawing breath after the unexpectedly firm start to the year.

Ford estimates that new car registrations have grown by around 5 per cent year-on-year in April, which would be the slowest rate for several months. In the first three months of the year new car sales at 529,436 were 16.8 per cent higher than in the corresponding period last year.



By Richard Donkin, Labour Staff

Women are opting out of management caraars in increasing numbers, according to a report published today which shows that the trend towards their greater representation in management has been reversed in the past year.

The findings of the Institute of Management report, the largest of its kind, covering more than 20,000 individuals in 339 of Britain's leading employers, shows that the percentage of women at almost all levels of management has fallen. Mr Roger Young, the Institute's general manager, said he was disappointed with the find-

He said: "For years we have heen delighted to record women's increasing progress at all levels of management, but now they have suffered a setback." One reason suggested is that more women are turning their

backs on corporate careers because of some of the tougher and more stressful demands of modern management regimes. Mr Young said: "Some women could be reacting against the non-family-friendly policies of larger companies

and opting to leave the stresses

of corporate life for the buzz of

being in control of their own "In 1993, women were twice

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ement Salary Survey shows that women managers and directors in the UK's largest

organisations has fallen from last year's peak of 10.2 per cent to 9.5 per cent.
It is the first time for 21 years that the proportion of

women managers has fallen. Tha percentage of women managers had grown steadily from just 1.8 per cent in 1974, to 3.3 per cent in 1983, 8.6 per cent in 1992 and 10.2 per cent in last year.

The report also shows that although women managers had higher salary increases than their male colleagues, women executives continue to be paid ess than men. The average woman man-

ger now earns £27,862 a year. while the average male manager earns £32,303. At director level the average female earns £56,040, while her male colleague earns £74.987. Women also get poorer deals

in other respects. The survey found they are less likely than men to get company cars, and when aged over 50 are more likely than their male counterparts to be made redundant. The most popular jobs for women, said the report, were personnel and marketing and

the least popular were

research, development, manu-

facturing and production.



Virani found guilty in BCCI trial

By John Mason. Law Courts Correspondent

Mr Nazmudin Virani, the former property entrepreneur, was convicted at the Old Bailey yesterday of seven counts of frand relating to his husi-ness dealings with the col-lapsed Bank of Credit and Commerce International.

Mr Virani was found guilty on ona count of false accounting and six of furnishing false information to BCCI auditors Price Waterhouse in order to artificially boost the bank's profits by about £11m.

on May 11. Bail was refused and he was remanded in custody. Mr Justice Hntchison warned Mr Virani that the offences he had been convicted of were sufficiently serious that a prison sentence "appears inevitable". The charges carry a maximum

seven years imprisonment. The conviction marks the third successful prosecution for the Serious Fraud Office over the BCCI scandal. Mr Syed Ali Akbar, a former head of BCCI's Treasury division, and Mr Mohammed Bagi, a for-

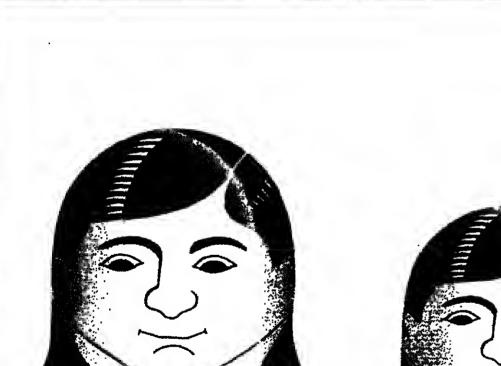
pany owned by BCCI, have already been convicted following the SFO's investigation of the collapsed bank.

The jury also acquitted Mr Virani on single charges of conspiracy to defraud, theft and furnishing false information. It was unable to reach verdicts on four other counts of furnishing false information. These charges will not now be proceeded with.

At the heart of the fraud committed by Mr Virani was what the prosecution described as a "you scratch my back and with Mr Mohammed Haqua, head of BCCI's property division, who has since fled to

Pakistan.
As BCCI's financial troubles deepened in the late 1980's, Mr Virani signed a series of bogus audit confirmations which misled the auditors and inflated the bank's profits.

In return, BCCI gave Mr Virani cash payments totalling £1.6m and played a substantial role in the expansion of Control Securities, the property company Mr Virani headed from 1985 until his arrest.





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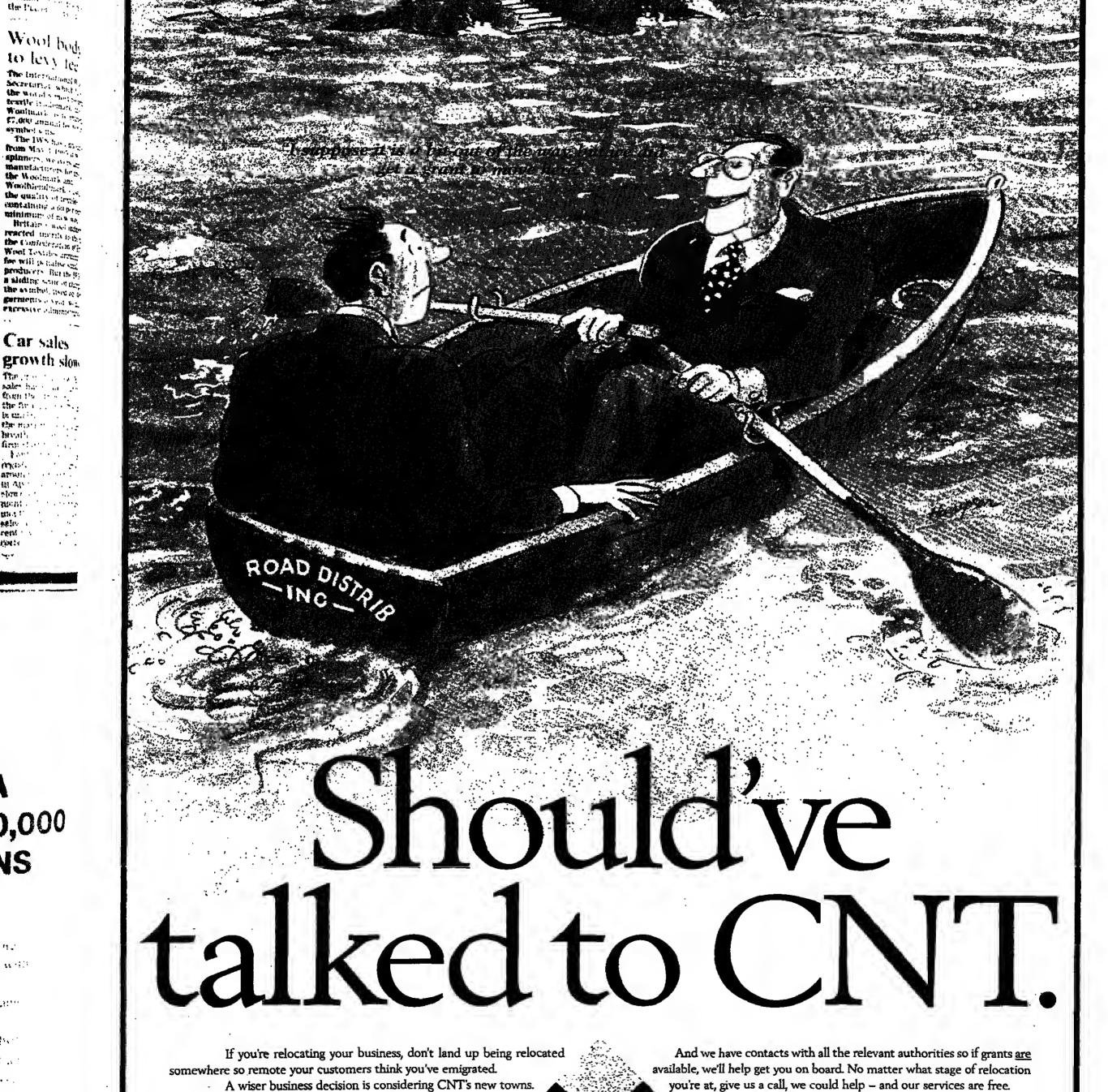
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sas City wheat market. Ten years later his next investment had an equally improbable beginning Sir John, who was born to the son of the then Prince of Wales's equerry in the grounds of Windsor Castle, backed Ivan Semenenko, a Ukrainian who spent his first seven years behind barbed wire in a displaced persons camp in

The two met through the pages of the Henlay-on-Thames-based Venture Capital Report, an agency that brings together business angels like Sir John and entrepreneurs like Semenenko.

A tacitum and true blue-blooded aristocrat, Sir John's background is unlikely to be typical of the 600 angels on VCR's books. But then VCR says there are few common characteristics other than a taste for risk and building businesses. in the case of Sir John, he had

always wanted to work for himself and inherited an interest in engineering from his great grandfather. a famous 19th-century contractor who built the Aswan Dam in Egypt. He applied to Harvard while designing dams in the Sudan when he aded to move into manager from pure engineering. After Har-vard he returned to the UK flush with his gains from the commodity markets and briefly worked for John Laing, the building company.

This was the springboard for his first investment in a small south London builder - probably the only London repair and maintenance company run by a Harvard MBA. "I saw it as a safe but unspectacular business that would provide steady cash flow." Sir John says. "I have always believed in trying to

Sir John sold the business, sales of £100,000 had grown to £2.5m. By that time Sir John had spread his wings, investing in Matcon, the company Semenenko had started and was running out of a borrowed

finance growth out of cash profits."

Sixteen years later in 1986, when

room in the Cotswolds town of Chipping Norton. Semegenko had founded the company in 1980 to develop a novel vibrating cone valve that activated and controlled the discharge of powders and granules from storage silos. The product was on the market but commercially unproven

He invested £30,000 - a third in equity, the rest as a loan - in return for half the equity. "I didn't realise I needed the cash, though in hindsight I did," says Semenenko.

John came on the scene in 1981.

with sales of about £30,000 when Sir

Richard Gourlay tells the unlikely tale of how a pair of business partners found each other

# Blue blood and the entrepreneur



"I did realise I needed some help

with business and financial skills." "He had recognised there needed to be a change of direction," says Sir John. "I enabled the original idea to become a reality."

The investment also allowed Matcon to extend the application to process industries that needed to handle powdered material in batch

Sir John says he was a very active investor in the early days. spending a great deal of tima installing management systems, setting up the production facilities. establishing the marketing infrastructure, and advising on

financial and cash flow planning.

Many observers of informal venture capital investing say this kind of management participation is as valuable to entrepreneurs as the cash, although it irks some founders to have to accept outside

As Matcon grew - it oow has

annual sales of more than £14m -Sir John has cut tha tima he devotes to the business as part-time chairman to a few days a week and is again seeking new investment opportunities.

Sir John has a number of self-imposed investment guidelines. He must be impressed by the people he is backing, interested in their product and they must be based close to his home. He tends to avoid pure start-ups.

In addition, he says he likes to leave the managing partner with as much of the equity as he or she can afford to take. "It makes the whole process more worthwhile."

What is most surprising, given the many stories told by indignant entrepreneurs, is that he is not hung up on having a controlling stake, At Matcon, Sir John has 50 per cent. "He was the only one who did not want 51 per cent," says

"I feel baving control is

biggest venture capital supplier.
Three years later and after three homes had bean successfully developed. Sir John sold to Associated Nursing Services, the then quoted group.
Since then he has invested, also

via VCR, in a London and Shanghal-based company called Chance China that represents western companies in China and

western companies in China and Chinese companies in the west. Some two thirds of the £200,000 he paid for 50 per cent of the equity is in interest-bearing loan notes which have first call on any profits.

And then there is the one that went wrong. "The one bad one should have been the best - it had everything going for it," be says. The company, Mogul Leisure Products, mada ski-training machines which had been pre-sold to Thomas Cook, the tour operator, to Thomas Cook, the tour operator, which was offering its clients lessons if they bought a holiday.
"I was interested in the product

the company was on my door-step, the sales were assured," says Sir John. He could even make them using spare capacity at the Matcon factory. What neither he nor the entrepreneur had spotted was that the business plan made no allowance for servicing and teaching Thomas Cook staff how to use the product. All the profits were consumed by the cost of supporting the customer and Sir John closed the company.

Whether typical of other angels - a term he dislikes because he is motivated almost entirely by profit - Sir John sets clear investment targets. "I need a better return on capital then in the City," he says. "I am very dapressed by the performance of so-called professional investment managers and am shocked by the way they regard matching the index as a standard of acceptable investment

performance," he says. While he has sold companies in which he successfully invested, Sir John does not actively seek investments and at Matcon is happy to let the managing partner develop the business. "I certainly see a substantial regular dividend as just as valid a return as a sale," he says. Too many good deals are not backed because the exit route is not

For those deals that go right, the dividends can be substantial. If he invests £150,000, one third as equity, he would expect to receive an annual dividend equal to 100 per cent of that equity after three or four years. There again, investing in a bad business plan or the wrong company called Dalecare. It was a start-up and he did not have an person and the loans quickly intrinsic interest in running a become equity and can evaporate at an alarming rate. Just as fast as his Harvard fees could have disappeared in the Kansas City people. But he liked the founder wheat market.

# Spotlight falls on invisibles contribution

affo, a designer for the packaging industry, has just won its first significant export order - a six-figure contract with Snapper of the US for a new design of

bottle cap. The Chester-based group already spends half its marketing budget in continental Europe and expects to have raised orders from outside the UK to more than 50 per cent of sales in 1996.

Raffo is part of an army of small and medium-sized companies exporting a huge variety of services from the UK published and recorded music, ducation, management consultancy, design - all contributing to job creation and the invisible trade surplus.

Anecdote suggests these small exporters are increasingly successful. More than 20 per cent of the companies receiving the Queen's Awards for Exports last month were selling services abroad. Many were smaller companies. But economists have only the vaguest idea of how important smaller exporters of services are to the economy.

The UK's invisible export effort is dominated by the City of London which earned a net £18bn at the last count in 1992 from fees, commissions, interest, property returns and dividends.

"Clearly, the City is very important but it is by no means the whole story," says Jan Hall, chairman of the small firms committee of the British Overseas Trade Board which is looking at how DTI export initiatives can be tailored for service companies. One attempt to identify the invisibles contribution of smaller

panies has been made by Robert Pringle, of consultants Graham Bannock & Partners. Pringle starts with official Central Statistical Office estimates which suggest that 39 per cent of invisibla earnings from consultancy (management engineering, surveying,

architecture, advertising and

companies with turnover of less than £2.5m. Pringle then makes the omewhat heroic assumption that

property consultancy) comes from

the same pattern is repeated across all small busin education and leisure service companies. He concludes that these small service companies probably produced invisible earnings of about £5bn in 1992. To put this in perspective, Pringle says the City's real service exports were £4.3bn a figure he arrives at after deducting interest, property income and overseas dividends which he says are not derived from true services. The analysis is crude, because of the lack of hard data, but makes a valld

"In the past you have had a picture of invisible carnings dominated by the City," says Pringle. "The techniques of trade promotion should take into account this crucial sector.

At the moment almost none of the Department of Trade and Industry's export promotion activities specifically targets service companies. But there are signs that it is considering such a focus to be worthwhile. The DTI is trying to recruit executives with exporting experience from the private sector service industry to promote invisible exports.

Officials at the DTI are also responding. April 25 saw 21 DTI country desk officers visiting a new grouping of design consultants, the British Design Initiative, whose members demonstrated how they were trying to sell British design

Maxine Horn, managing director of the BDL says ber company represents a range of designers, in product, packaging, corporate identity and retail interiors. The group was set up because no one else helped

promote the export of design, Pringle says any further growth in the invisible trade surplus is unlikely to be led by the City of London but by Britain's smaller companies. This is debatable. But there is a strong case for the DTI and trade organisations to improve their support for the many companies already exporting their services.

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irrelevant," Sir John says. "The

entrepreneur always effectively has

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virtual monopoly on domestic

flights and, with a few selected

international partners, an effective cartel on overseas

Three years ago, however

the government relaxed the

rules on international carriers.

allowing for price competition

rom this summer, British Airways will no longer offer the

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BA's five. Of those BA flights, only three are by standard aircraft; the

others are £5,000-a-seat Concorde

And within two weeks of Ameri-

can's move, its great rival, United Air-lines, will increase its daily Heathrow-

JFK flights from three to four. Other significant carriers on the

route are Virgin Atlantic, with a

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That makes 19 flights a day

ways and Air India, with one each.

between the two airports. Moreover

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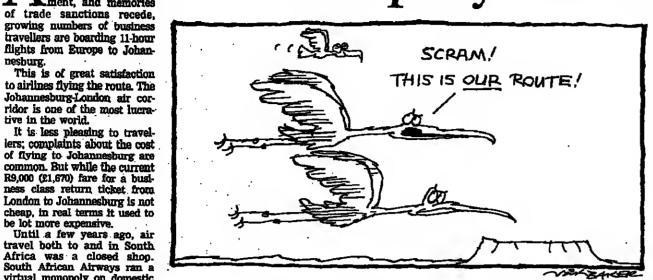
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# Mark Suzman looks at the proliferation of carriers servicing routes to South Africa s South Africa prepares for its first freely elected government, and memories A monopoly dismantled



Most fares have dropped steeply, but not so precipi-tously as to threaten route profitability. Yet it remains slightly more expensive than soma comparable longer routes, such as London to Syd-

But shopping around for Better deals are also avail-able through airlines such as Sabena and Air France, which

sonable fares with free trans stopovers in Cairo or Nairobi. One future option will proba-

bly be Mr Richard Branson's

get a foothold in the market. Once in Johannesburg, it is possible to take direct flights to big cities worldwide. The

been trying for several years to

number of international airlines flying to and from South Africa has risen to 58 since deregulation. The rapid increase in the number of carriers is most striking in traffic with Asia, which is now serviced by four airlines in addition to

Internally, the menu of flight choices is limited. A cosy SAA monopoly, during which it rou-tinely raised fares about 12 per cent a year, was broken up with the arrival of competitor Flitestar in 1991. With some assistance from the government, Flitestar eventually carved out a 30 per cent market share, largely from busi-

To the dismay of the flying public, however, this experiment in competition came to a sudden halt three weeks ago

### Virgin still holding out

usiness travellers have Virgin Airways, which has been promised greater competition on the London-Jobannesburg route for almost three years. Mr Richard Branson'a UK carrier, Virgin Atlantic, applied to compete with the present carriers in 1991. Since then be has launched a service to Hong Kong and next month starts flying to San Francisco, while Jobannesburg remains just an

intention, writes Daniel Green. The London-Johannesbnrg route is precisely the kind of business over which Virgin likes to fight. As with Hong Kong and San Francisco, there have been two main carriers. British Airways and South African Airways, each making a lot of money. The unres-tricted business class return fare can be £2,639.

Virgin blames its inability to get the suitable slots at Heathrow for the delay in starting the services. It also acknowledges that uncertainty over change in South Africa has made other routes a priority.

yet to make itself strongly felt.

Philadelphia, Charlotte, and Balti-

BA can also take some comfort

from the fact that the rise in frequen-

cies does not mean quite as sharp an

increase in the number of available

seats, BA flies the route with 380-seat

Boeing 747s. Most of the US-owned

aircraft, on the other hand, are the

smaller Boeing 767s, which carry only

gers, or McDonnell Douglas MD-11s,

carrying 271 people. Moreover, passen-

gers in a burry are also likely to fac-

tor into their choice the fact that tha

767s taka about 20 minntes longer

than the MD-11s and 747s.

between between 164 and 214 pass

he European

additional take-off slots. American Airlines is, therefore, sacrificing services to tourist-type destinations, such as Los Angeles and Miami, to increase its Heathrow-JFK frequency.

American is, however, not increasing its daily flights from other European cities such as Parls, Brussels, Zurich - where ecocomic recovery is Air France's domestic BA says it is unworried by the subsidiary, on the

increasing competition on flights to Orly-Toulouse and JFK. It still considers the route "blue Orly-Marseilles rontes after chip". But BA says that, since it took a stake in USAir, it has been keen to link transatlantic passengers with USAir'a huge domestic network. That means it is adding flights to large USAir hub cities, such as Pittsburgh,

would provide access to a valuable bub for French holiday and business destinations.

The UK has the best facilities for business travellers of any European country and Italy has the worst, according to a poll carried out by Mori for Thomas Cook.

travel services in 281 companies in eight European countries found 13 per cent

#### Likely weather in the leading business centres

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#### French skies are

opened up Commission's ruling last Wednesday that France must allow competition on several routes from Orly airport to the south of France

raises the prospect of more convenient, and cheaper, travel to French destinations. The Commission said that France must immediately open a route from London Heathrow to Orly and must allow TAT European airlines - 49 per cent owned by British Airways - to compete with Air Inter,

a six month grace period. British Airways bopes to start services between Heathrow and Orly in June. Since most domestic French flights operate from Orly, it

UK is best

The poll of purchasers of



thought the UK had the best facilities, followed by Germany on 10 per cent and Switzerland on 6 per cent. Nine per cent, mentioned italy as having the worst facilities.

#### Mailbox

In May AT&T launches what it claims is the first international mailbox service for travellers wanting a 24-hour base for receiving and sending messages and faxes wherever they may be. The US operator's oew

service, called WorldPlus, gives subscribers a mailbox and service centre accessed via tonch-tone or voice-response. In addition to storing and

replaying messages, WorldPlus allows users to reply to the number from which a message has been received at the flick of a button, and to send multiple messages and faxes as instructed. Subscribers pay £50 a year standing charge, then pay for services on a usage basis. The charge for messages and faxes is

#### lower fares can pay off, as some discount centres offer fers to London. Cheapest of all are carriers such as Egyptair and Kenya Airways, although ness travellers. business fares as low as R5,428. with the inconveniences of

**Daniel Green** on the increase of JFK/Heathrow flights

Shuttling into Kennedy



Heathrow; the frequency of flights to New York means the route has been elevated to the status of business shuttle

an extra half bour, the executive knows there will be another flight

For United, the decision to emphasise frequency of service, rather than size of aircraft, has led them to employ one of the smallest aircraft available for such a journey. "The lot of flights: if the meeting goes on route consists largely of point-to-point

traffic and we decided that the best method was to use the smaller Boeing 767-200s, flying more frequently." according to a United spokesman.

United's early flight from London at 0755 the first of the day to JFK is especially popular among business travellers, and bas tempted American to introduce

its own early flight at 0830. The business traveller is an extraordinarily lucrative customer to secure. The normal business class return fara between London and New York is about £2,200, almost 10 times the cheapest Apex economy fare.

Because of the congestion at Heathrow, an airline cannot easily secure

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**II Ernst & Young** 

and Wales to carry on investment bu

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#### **LEGAL NOTICES**

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE IN THE MATTER OF

IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 50, 1990 REVISED EDITION)

In the matter of RMCA REINSURANCE LIMITED

At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ("the Scheme") between RMCA Reinstrance Limited (beseinafter called "the Company") and its Scheme Credinors (as defined in the Scheme) was approved by the Scheme

On 29 March 1994 the High Court of the Republic of Singapore and on 22 April 1994 the High Court of Institute of Enghand and Wales (hereinafter called "the Courts") sanctioned the Scheme at

The Effective Date of the Scheme is 26 April 1994.

PMCA Reissurance Ltd. 137 Ceell Street. #13-00 ICS Building.

Dated this 37 day of April 1994.

ORIGINATING PETITION NO 26 OF 1994

RMCA REINSURANCE LIMITED

IN THE MATTER OF THE SINGAPORE COMPANIES ACT

IN THE MATTER OF THE COMPANIES ACT 1985

On 25 and 26 April 1994 the Orders made in the Courts stanctioning the Scheme were delivered to the Registrats of Companies in Stagapore and England and Wales respectively.

Philip John Singer and Christopher John Hughes paraners of Coopers & Lybrand were appointed Joint Scheme Administrators on 26 April 1994. Claims against the Company under contracts of insurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE IN THE MATTER OF

ICS REINSURANCE PRIVATE LIMITED IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 50, 1990 REVISED EDITION)

IN THE MATTER OF THE SINGAPORE COMPANIES ACT

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION

IN THE MATTER OF ICS REINSURANCE PRIVATE LIMITED

IN THE MATTER OF THE COMPANIES ACT 1985 At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ["the Scheme") between ICS Reinstrings Private Limited [Increinalign called "the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the

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On 25 and 26 April 1994 the Orders made in the Courts sanctioning the Scheme were delivered to the Registrars of Companies in Singapore and England and Wales respectively.

The Effective Date of the Scheme is 26 April 1994. Philip John Singer and Christopher John Hughes partners of Coopers & Lybrand were appointed John Scheme Administrators on 26 April 1994. Claims against the Company under contracts of insurance for otherwise I should be submitted to the Johnt Scheme Administrators at the following address:

ICS Reinstrance (Parl Ltd. 137 Cecil Street, # 13-00 ICS Building.

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# People

# Gambling with the big prize

David White examines the record of Banco Santander's Emilio Botin, the victor in the contest for control of Banesto

milio Botin almost missed the boat. On the night the chairman of Banco Santander won the bidding to take control of Banco Español de Credito (Banesto) from Spain's "bank bospital", the Deposit Guarantee Fund, be forgot to sign the crucial bid document. The announcement of the verdict on Spain's biggest takeover was held up by an

agonising extra hour. The runner-up in the auction, Banco Bilbao Vizcaya, considered using the omission to challenge the decision on technical grounds.

It had reason to be peeved. Not only had it been thwarted in its long-time ambition to become the dominant force in Spanish banking. It also faced the prospect of losing high-flying executives, on temporary loan to Banesto during the rescue operation, who would now be poached by the new

Overnight the 59-year-old Botin has become Spain's top banker. The combined group, according to its own calcu-lations, ranks number 22 in Europe and 45 in the world in total assets.

But Banco Santander's \$2bn investment in Banesto is a big bite. With a branch network two and a half times as big as Banco Santander's, Banesto was for many years the country's higgest financial institution, the archetypal establishment bank of the Franco regime, remaining staid, stuffy and

impenetrable for years afterwards. In its most recent phase, with a jaunty new logo and an aggressive lending policy. It got itself into deep trouble. A \$3.7bn rescue operation was required to put the mammoth back on its feet. While Banco Santander has already divested almost all its industrial shareholdings, Banesto still has a mish-mash of interests to be got rid of before it becomes an orthodox commercial bank. For Botin, the acquisition marks a

change of approach. At the end of the

1980s, while other leading Spanish banks sought mergers as the most obvious means of bringing themselves more into line with the dimensions of hig banks in other European countries, Botin stood aloof, preferring to build up

Santander's own business. Far from being a buyer, he sold off smaller "second brand" banks belong-ing to the group. But he is believed to have had eyes on Banesto for some time. And he clearly saw the auction of the restructured bank as a chance he could not refuse.

"We have spent years storing up capi-tal to be able to take advantage of opportunities, peseta by peseta, patiently, prudently" - which is how be believe things should be done in bank-

In Spanish, there are two words for banker. A "bancario" is someone who works in banking. A "banquero" is someone who runs a bank. Botin - full nama Emilio Botin-Sanz de Sautuola y Garcia de los Ríos - was born a "ban-

The family pedigree is unique in Spanish business, His grandfather Emi-lio Botin was the first permanent chairman of the bank, which had been set up in Santander in the 1850s to finance transatlantic trade flowing through the northern Spanish port. His father, also Emilio Botin, who took over when it was still very much a provincial bank, oversaw its expansion further afield during a 36-year reign as chairman.

The statue to him in the bank's head-quarters on the Santander waterfront was erected by grateful shareholders long before he was ready to leave the job. Until his death last year, the father was still referred to as Don Emilio. The new chairman continued to be known as "the son".

After studying law and economics at Valladolid and the Jesuit Deusto university in Bilbao, he joined the bank at-24, working at a local branch. But two



years later he was already a director. When his father finally made way for him in 1986 he set about strengthening the bank's balance sheet, bolstering its provisions against loan risks - especially in Latin America - and widening

A pioneer in offering interest-bearing "super-accounts". Banco Santander moved up from fifth or sixth place mong the country's private commer-

cial banks to number three. It became a shareholder of Royal Bank of Scotland and First Fidelity in the US and built up an international reputation for innovation - in fields such as telephone banking - and the dynamism of its merchant banking arm, recently renamed Santander

o why this move? The way it was Soing, in Botin's view, the group would soon have been predominantly geared to foreign business already accounting for more than 40 per cent of its profits - and investment banking. It needed to redress the balance by increasing its weight in the Spanish market. Banesto, in many backwoods areas of Spain the only bank in town, would do the trick,

Some people in Banco Santander harbour private qualms about the challenge the group has taken on, and about the price it is paying. But Botin claims the price is "absolutely reason-able" and shrugs off the negative impact the deal has had on Banco Santander's own shares.

In a bank otherwise noted for its

transparency, the degree of family con-trol is a mystery. Little is known about the full extent of the family fortune. According to its annual report, the combined shareholdings of the family foundation, which is the largest institu-tional shareholder, and Botins on the board – including brother Jaime, who heads the associated Bankinter - come to less than 3.5 per cent. But nobody has any doubt about who runs the

Two of Botin's six children are directors - Ana Patricia, 33, and the next Emilio Botin, 30. Either could be in line

The family's discretion is legendary. Botin's wife is a concert planist, Paloma O'Shea, but otherwise little is known about his private life except that he travels a lot and plays golf when he finds time. According to one person in the bank's inner circle, "nobody gets close to Botin".

In Santander neither the family nor the bank needs to advertise their presence; it is pervasive. However, if one were to ask in the world at large who was Santander's most famous living son, the answer might not be Botin but the golfer Severiano Ballesteros. But then Botin is Ballesteros' father-in-law. When he was promoted to the chairmanship of the bank 71/2 years ago, with

a solid record as managing director but still very much in the shadow of Don Emilio the father, other bankers in Madrid reserved their judgment on bow he would prove himself in the position. "Now they know," said a colleague at

#### Personae . . .

# Bergougnoux to run a railway

Having helped restore financial he joined in 1970, earning a he joined in 1970, earning a reputation as a skilful manager in both labour relations and Bergougnoux is to take up a similarly formidable challenge at SNCF, the French national

railway system, writes John Bidding Jacques Fournier, SNCF's current chairman, will step down after the opening of the Channel Tunnel, at the age of 65. The government has picked Bergougnoux, managing director of EDF since 1987, to step into his

Bergougnoux, 54, is an engineering graduate of the prestigious Ecole Polytechnique. He has built his career in the public sector and in particular at EDF, which

financial affairs.

Number two to Gilles

Menage, chairman of EDF. Bergougnoux has for the past seven years been responsible for the day-to-day running of the company. He played a significant role in returning the group to profit at the end of the 1980s and reducing debt which at FFr213bn in 1984. was equivalent to 27 per cent

His new task is equally daunting. The principal challenge facing Bergougnoux lies in the financial situation of the railway company, last year it suffered losses of FFr7.71bn and a rise in its

debts to more than FFr150hn. The new SNCF head must also try to win back passengers disenchanted by a series of marketing and technical blunders. Socrates, the computerised reservation system, was afflicted by technical problems following its introduction at the beginning of last year and contributed, along with recession, to an 8 per cent fall in passenger tradic. Labour relations at SNCF

are also delicate. Fournier's attempts to increase efficiency by establishing separate divisions and more decentralised management have yielded positive results but have also drawn strikes and stoppages by workers.

#### Happy time for Keehn to step down

Silas Keehn (right), tall, and much more youthful looking than his 64 years, is stepping down as President of Chicago's Federal Reserve Bank with the same kind of statesmanship that characterises the 13 years be has spent ministering to the financial health of America's heartland, writes Laurie Morse. This seems a very good time for a transition Keehn says. "Happily, things are going right. Bank reserves are adequate (after a difficult period in 1990 and 1991) and the economy is doing well,

particularly in the midwest." The Chicago Fed's voice in US monetary policy, in the form of a vote on the Federal Open Market Committee, rotates every other year with the Cleveland Reserve Bank. Thus, Keehn says, if his successor is appointed this summer, the new appointee will have time to get to know the system before Chicago gets

the vote again in 1995. With Keehn's departure, the Fed will lose a monetary policy moderate. While circumspect in his public pronouncements, Keehn has a reputation for keeping a balanced view of the trade-offs between inflation and economic growth. Having spent 23 years at Pittsburgh's Mellon Bank before joining the Fed. Keehn has a banker's view of policy. The Chicago Reserve Bank,



one of 12 nationwide, serves Illinois, Iowa, Indiana, Michigan, and Wisconsin, an area that encompasses an unusual mix of agriculture. manufacturing, and financial

services. Keehn's successor will be appointed by the board of directors of the Chicago Federal Reserve Bank, which has organised a search committee. Although the search is expected to take several months, James Annable, chief economist at First National Bank of Chicago, is thought to top the list of potential candidates.

#### Pannonplast's Feher ahead of the pack

Eastern Europe's communist economies produced few great managers, writes Nicholas Denton, Nor, despite official lip service to sexual equality. did the former Soviet bloc allow many women to rise to the top in business. But there are exceptions, and Erzsebet Feher, managing director of Hungarian plastics group

Pannonplast, is one Under her leadership. pannonplast was an east bloc pioneer in the 1980s; it took up World Bank credits and set up joint ventures with western manufacturers. And this week the company completes its privatisation: Ft1.83bn (\$t8m) worth of Pannonplast shares are on offer to foreign institutional investors and the Hungarian public. "She's always been ahead of the pack," says an investment banker who has

worked closely with her. While westerners often make a hobby of complaining about Hungarian managers, they swoon before Feber. Advisers break off from moaning about the tedium and uselessness of meetings in Hungary to marvel about the amount of ground they can cover with

Feher. Feher finds the acclaim all rather embarrassing. A genuinely modest person, she is far happier talking about ber company than herself. Pressed to reveal what makes her tick. Feher reluctantly ventures her sporting background. Now 58, she played ping-pong for Hungary's national youth team and says it may have inculcated

discipline and a fighting spirit. She is less proud of her gender, Indeed, Feber seems to agree with Hungarian male attitudes towards businesswomen; they can be petty, she says, and poor at seeing the big picture. But it only takes a meeting or two. Feher says, before male negotiating partners see that she is not like that.

New Issue May 1994 Land Niedersachsen



# 6.75% Bonds of the State of Lower Saxony 1994 (2004)

- Security Identification No. 159 072

The State of Lower Saxony (Land Niedersachsen), Germany, is launching a bond issue, which is offered by tender through the Deutsche Bundesbank

Aggregate Principal Amount: To be determined according to the result of the public tender.

I. Fentures of the bonds

Par volues: DM 1,000 or an integral multiple thereof.

Interest: Interest at the rate of 6.75% will be payable yearly in arrears on April 15, commencing on April 15, 1995. Interest occrued is bosed on the date of payment. The issue shall cease to bear interest as of the end of the day preceding the doy on which it becomes due for redemption. This is also valid in cose that the payment is effected according to section 193 of the Civil

Maturity: 10 years. The bonds will be repaid at their fore value un April 15, 2004. The bonds may not he recalled before maturity.

Trust eligibility: Pursnant to section 1807 (1) 2 of the Civil Code.

Eligibility for investment in premium reserve stock: The bonds are eligible as collateral for investment in premium reserve stock pursuant to section 54a (2) 4 of the Act concerning the supervision of insurance enterprises.

Eligibility for central bank refinancing: The bonds are eligible as collateral for lombard loans pursuant to section 19 (1) 3d of the Deutsche Bundesbank Act and eligible for securities repurchase agreements.

Stock exchange listing: The bonds will be admitted to official trading on the stock exchanges in Hannover and Frankfurt/Main on Monday, May 9, 1994.

Market regulation: The Deutsche Bundesbank will regulate the market for account of the issuer.

Delivery: The total amount of the bonds will be evidenced in the form of shares in a Global Debt Register Claim (Sammelschuldbuchforderung) registered in the name of the Dentscher Kassenverein AG, in the Debt Register of the State of Lower Saxony (Landesschuldbuch Niedersachsen). No registration of partial amounts of the Global Debt Register Claim in the name of a specific creditor - Single Debt Register Claim - (Einzelschuldbuchforderung) - will be made.

The receipt of physical securities is not possible during the entire period to maturity.

The bidders will receive shares in rollective securities accounts (Wertrechte). They will be delivered by the Land Central Bank - Main Office of the Dentsche Bundesbank - Hannover according to the instructions of

Payments: Principal and interest shall be paid, as and when due, to the respective accounts of the depositors with the Kassenverein. Poyments by the issner due to investors without a Land Central Bank giro acrount will be passed to the latters' accounts with credit institutions.

#### IL. Procedure of tender

Range of eligible bidders: Credit institutions and non-banks which hold a Land Central Bonk giro account may participate in the tender direct. Other domestic and foreign prospective buyers moy submit their bids indirectly through a domestic rredit institution; in this case, contractual relationships will arise only between these indirect bidders and the credit institution acting as their intermediary.

Insurance companies, pension funds, investment funds and other institutional investors without a Central Bank giro account, and private investors should contart their credit institutions.

Bidding deodline: For domestic hanks, and nonbanks which hold a Land Central Bank giro account: 11:00 a.m. on Wednesday, May 4, 1994. Other potential buyers should contact a domestic credit institution well

Bidding: Bids can be considered only if they have been submitted (informally in writing, by telex or telefax) to the appropriate office of the Deutsche Bundeshank - Land Central Bank (Landeszentralbank) - where the giro account is held.

Bids: Quotation of the desired par value and of the price, as a percentage of the par value, at which the bidder is prepared to buy the houds. Bids amst be for full 0.01 percentage points. Non-competitive bids or submission of several bids ut different prices are possible. No yield bids will be ronsidered.

Minimum denomination: DM 5,000,00 or an integral multiple thereof.

Allotment: Immediately but not later thun 9:00 a.m. on Thursday, May 5, 1994 by the Landeszentrolbank - Hauptverwaltung der Deutschen Bundesbank -, Hannover, Georgsplatz 5, D-30159 Hannover, Germany (Land Central Bank - Main Office of the Deutsche Bundesbank -, Hannover).

Bids are allotted at the price specified in the bid concerned ("US-style tender procedure"). Nun-competitive bids are filled at the weighted average price of the bids acrepted. The Bundesbank reserves the right to scale down bids quoting the lowest accepted price and noncompetitive bids. If hids ore scaled down, at least DM 1,000.00 per bid concerned will be allotted.

The issuer reserves the right to increase the allotted overall amount of the issue for the purposes of market

Date on which the amounts allotted will be debited to bidders' accounts: For domestir banks, and non-banks bidding direct: not later than 11:30 a.m. on Friday, May 6, 1994. The equivolent will be debited to the Land Central Bank giro accounts. Timely remittance of cover is required. For potential largers submitting bids through honks, the arrangements made with their credit institutions will npply.

Miscellaneous: Unless otherwise provided elsewhere in this invitation to tender, the "Ceneral terms and conditions for the sale of Federal hands by tender" of the Dentsche Bundesbank will apidy.

Hannover, Mny 1994

Land Niedersachsen represented by Niedersächsisches Fünurzministerium

Deutsche Bundesbrink represented by Landeszentralbank in der Freien Hamestadt Bremen, in Niedersachsen und Sachsen-Anhalt



# Paris goes Dutch

William Packer visits an exhibition of 20th century art from the Low Countries

beautiful and exciting things. lts subtitle, from Van Gogh to Mon-drian, gives something rather more of its scope, but there again the inference is misleading, partial, imprecise. Van Gogh indeed is there, but only as a presiding and iconic figure, represented solely in a self-portrait, in a grey hat, of 1887. And in a show that is one of a pair specifically addressed to the art of the Low Countries in the 20th century, Van Gogh's presence itself is somewhat equivocal.

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Certainly there are formal connections to the other artists to be made, if only in the general foreshadowing of expressionism - the clarity and intensity of the colour, the staccato energy of the brushstrokes, with each

> 'It is Mondrian who remains the central figure and hero of the show'

reach of their conflicts mark a distinct beat in the total statement. There too is the sheer symbolic force of the image itself, personal and tragic as we know with hindsight its implications to be. Yet Van Gogh spent the later and infinitely more productive half of his short career abroad, and was dead by 1890. The position he holds in relation to French painting of the 1880s is obvious and unquestioned. Quite how well his work was known in Holland within the first few years of his death

is another question altogether. The real starting point of the exhibition is the pointillist yet moodily symbolic landscape of 1889 by the lesser-known painter, Jan Toorop, a view across the canals and low fields of the Waterland at sunset, with shadowy figures in a boat in the foreground. It is a work that embraces all that the exhibition as a whole will offer, on the one hand, the formal simplicity and rigour which Mondrian in particular will take to the limits of pure and minimal abstraction; on the other, the symbolist and emotional content, shades of the workers in the fields of Millet and Van Gogh, which will lead to the heightened realism of the Dutch figurative painters of the

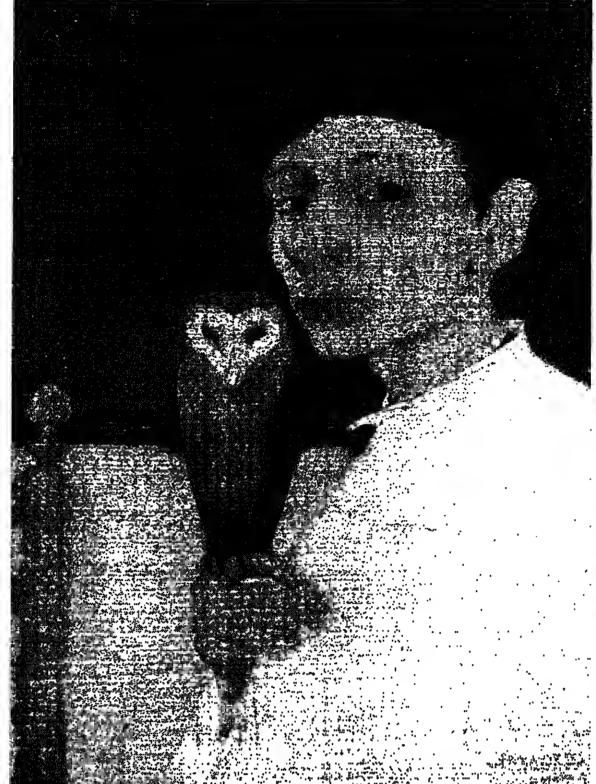
early 20th century whom we come to

a beauté exacte is hardly an later. It is this duality, given the exact title for what is yet a apparent precise simplicity of the fascinating exhibition full of exhibition's title, that comes as the surprise.

That said, it is Mondrian whn remains the central figure and hero of the show. While Toorop veers sharply off at e tangent into bizarre fin-de-siècle graphic symbolism, Mondrian stays with the landscape of sea and dune, tree and church tower, that grows ever more simple and rarefied while losing nothing of its mystical, symbolic charge. Such mystical signif-icance remained as the informing justification of all he did, no matter that by the mid-1910s, under the obscure philosophisings of neo-plasticity, his painting had moved away from any-thing even remotely representational in its reference – nothing more than lines and grids and squares of colour. The magnificent sequence of paint-ings and drawings in the first main room, that takes us from the trees and canals of around 1900 through the sea and dunescapes to the frag-mented, quasi-cubist trees and towers of around 1913, is alone worth the visit. With the rational, ebstract developments of his next 30 years to follow in the later rooms, set into the context of the work of the de Stilj group in general and such as Bart van der Leck and Theo van Doesburg in particular, the show is irresistible.

But between de Stilj constructivism in its origins and later pomp comes e quite separate body of work, and with it the show's greatest surprise. For here, as complement and counterpoint to Mondrian and his associates, are those Dutch realists of the 1920s and 1930s, colleagues at a remove of the Neue Sachlikeit in Germany in particular, and realist contemporaries everywhere, with their peculiarly heightened and febrile, all but surreal, clarity of image, and their uncompromising honesty. We are back at once to Van Gogh in his self-image at the show's beginning, and it is hardly by chance that each painter of this later group is repre-sented by self-portrait after self-portrait rows of them.

All are remarkable artists, and their still comparative obscurity merely confirms the rule that even in our supposedly international age, national schools of art, not just in England but everywhere, remain too much the province of a merely national, even



Fine artists such as Jan Mankes, here in 'Self-portrait with owl' (1911), deserve a wider stage

parochial interest. Dick Ket, Pyke Koch and Jan Mankes are fine painters by any measure, their work beautifully made, intense in feeling and properly of its time. They are long overdue their place on a wider critical stage. But most remarkable of them

all is Charley Toorop, daughter of Jan Toorop and an English mother, Annie Hall. Her sequence of self-portraits, some of monumental scale and as strong and simple in the statement as in the vision, surely mark her out as one of the most important, albeit

hardly rated, female artists of ber

'La beanté exacte: de van Gogb Mondrian'. Musée d'Art moderne de la Ville de Paris, 11 avenue du Président-Wilson, Paris 16, until July 17.

Miller's good burnour and bravery are remarkable - there are few women around, for better or worse, who would be willing to expose a mastec-

tomy scar to a roomful of strangers -

her message, that we must bear the good with the bad, is hardly new. The festival's most stylistically adventurous offering was 1969, a collaboration between director/writer Tina Landau and seven young performers. A collage of songs, dialogue, speeches, and movement, 1969 is an attempt to evoke both the universal pains and rewards of growing up, and to capture the mood of the late 1960s in middle America. Landau directs and the cast performs with precision and passion, but the plot is too predictable - nerdy high school senior realises be's gay and runs off to an idealised New York - and the writing

seldom rises above the banal. High production values are among the Humane Festival's traditional pleasures; set designer Paul Owen, who has designed nearly every play in festival history, is an unsung genius of American theatre. Another of the Festival's delights is its community spirit - e relief for the jaded big city theatregoer and e reminder of the val ues that inspired the regional theatre movement and keep it alive.

Concerts

# Twenty years of Capricorn

decade with three concerts in the Purcell Room and in St. Giles, Cripplegate, pardonably recalling some of its most successful commissions. This excellent team has been assiduous in seeking out new, seriously original music, placing fresh commissions in promising hands, and meanwhile cultivating older styles well enough to fill historical gaps in the CD repertoire with distinction and profit. In short, it is a Good Thing with a solid trackrecord, though the live audiences last week were keen but small.

The label "Capricorn" names e fluid personnel. Some of the performers we heard on Tuesday and Saturday were too young to have been in at the start. For its adventurous repertoire, anyhow, Capricorn has to field such variously consti-tuted little bands that It has only e few "core" members to fix its identity. Perhaps the longest-serving souls, and certainly the dominant musicians, are the clarinet, cello and piano (Anthony Lamb, Timothy Mason, Cetherine Edwards) – three-quarters of what Messlaen required for his Quatuor pour la fin du temps, which prompted the for-mation of Capricorn in the first

Among the Capricorn commissions bere, going back to 1985, were Edison Denisov's winde-and-stringe Sextet, coolly and intricately contra-puntal in strictly equal voices, none standing out; and James Ellis'e quizzical, picturesque Mountain Steps, of which we heard just three-fifths - it has been "fundamentally recomposed" but not finished yet,

The Capricorn ensemble has celebrated the end of its second decade with three concerts in fiction novel about wise lizards, Anders Nordentoft made imaginative use of the same trio - the "core" players - as Nigel Osborne's new Sarajevo, a heartfelt letter of condolence which sticks to time-bonoured modes of registering grave feel-

Neither of those had the kick of Gerald Barry's rumbustious Piano Quartet, which Capricorn premiered in 1992.
"Wholly concerned with melody," Barry claims; in fact it is e furious confection of slightly out-of-synch folk music echoes presumably Irish, insistently lively, with a forceful surge. By comparison, Birtwistle's Clarinet Quintet sounded scrupu lously worked out but staid. Magnus Lindberg's recent Quintet cherged the same ensemble with continuous pal-pable energy, brilliantly engi-neered and calculated as is his wont. The unabashed star is the clarinet, manically fluent in generating fresb ideas, leav-ing the strings to pick up the pieces and reassemble them

elegantly.

Each Capricorn concert set

Itself a high standard by
starting with one of Elliott Carter's recent hommages to friends and colleagues. I heard the 1984 Riconoscenza for violin (Rebecca Hirsch) and the 1990 Con leggerezza pensosa for the "core" trio here, and marvelled again at the lucid density Carter achieves for every pass-ing event. Within a few min-utes we get e whole, cogent epic, each laconic episode stamped with speaking character such as only a past-master can contrive.

**David Murray** 

### **Native Czech**

While Prague's two opera companies show waning enthusiasm for the native repertoire, there is still plenty of Czech music to be heard in the city's lovely concert halls, much of it little known in the West. Two recent programmes found the Czech Philharmonic Orchestra tackling works by Vorisek and Novak, and the Prague Symaccompanying a mass by Ilja Hurnik (b1922). Both were well ettended and warmly received by local concert-goers. suggesting that the tourist market does not yet have a monopoly on all cultural life in the Czech capital

The most rewarding discovery was Hurnik's Missa Vinea Crucis, premiered two years ago with organ accompaniment. Hurnik's music is well established in the Czecb Republic and deserves e wider reputation. The Mass is a tonal work, clean-textured and full of subtle harmonic modulations, drawing its inspiration from Hurnik's north Moravian folk roots and the Janacek-Martinu tradition, rather than the glum postwar school of Czech modernism.

The opening Kyrie, a pure pastoral air, sets an optimistic tone. The Gloria, Credo and Sanctus include spiky interjections for chamber orchestra (no brass), while the Agnus captures some of the otherworldly atmosphere of Messiaen's L'Ascension. The final Deo gratias has a lively rhythmic puli. The 80-strong Per-monik Children's Chorus, which commissioned the work, sang without blemish, but could have added more bite. This luxurious opener to the Prague Symphony Orchestra's concert in the Smetana Hall was followed by an inspired account of Shostakovich's First Cello Concerto by Frans Helmerson and Debussy's La Mer Martin Turnovsky conducted all three with idiomatic flair.

Hurnik was one of the many composition popils of Vitezslav Novak (1870-1949), whose own music has been well represented in the Czech Philharmonic's programmes this season. I heard the song cycle Valley of the New Kingdom for baritone and orchestra (1903), based on a text by Antonin Sova. It is infused with impressionist touches, late Romantic colours and lyrical poetry, and it could have made a kind of Czech Sea Pictures, if the four songs had not been so short e mere 13 minutes. The music found e heroic upper extension in Ivan Kusnjer's lusty voice. Oliver Dohnanyi, making his Czech Philharmonic debut in the Dyorak Hall, conducted a robust account of Vorisek's D major Symphony, and ended the programme with Dvorak's phonic Variations, infused with all the tonal bloom and beauty for which Czech orches-

**Andrew Clark** 

#### he American obsession with "otherness" was on prominent display et the recent 18th annual Humana Festival of New American Plays. Nearly all the festival's 10 plays, presented at the Actors' Theatre of Louisville, spun off of some socio-political issue - lesbian and gay issues being the most common concern. A tone of politically correct sanctimony was averted by the high overall artistic standards. While the festival lacked an outstanding success - Tony Kushner's Slavs!,

expected to fill that bill, proved a dis-

appointment - the general quality of the plays and the adventurousness of the programming were an advance on previous festivals. Slavs! (Thinking about the Long-standing Problems of Virtue and Hap-piness), is Kushner's first play since the international success of his Pul-Itzer Prize-winning epic Angels in America. The new play partly com-prises scenes cut from Perestroika, Angels' second half. While full of freshly comic scenarios and his trademark dazzling flights of prose, Slaus! is more e disjointed grab-bag of scenes than e fully realised play. Its first scenes, schtick-laden sketches in

which ageing apparatchiks literally

politic themselves to death, are funny

New plays of lesbian love Karen Fricker reviews the Humana festival in Louisville

but forgettable. The play'e real interest kicks in when we meet Katherina (Kate Goehring), an idealist cursing ber way through e functionary's joh, and her lover Bonfila (Mary Schultz). a paediatric oncologist. Exiled to Siberia, Bonfila encounters an outbreak of radiation sickness and in the play's most effective, final scenes, we follow e young victim to heaven.

Kushner'e engagement in these last scenes is clear, but his earnestness mingles uncertainly with the broadly comic tone of the play's first half. Lisa Peterson directs with pace and a flair for the broadly theatrical gesture, but the production is hindered by weak acting among the older male performers. Schultz and Goehring, however, are first-rate.

Kushner'e play was performed in a double bill with Trip's Cinch by Phyllis Nagy, an American playwright liv-ing in London whose Butterfly Kiss recently premiered at the Almelda. Trip's Cinch is similar in tone and theme to David Mamet's Oleanna and inspired by the William Kennedy Smith and Mike Tyson date rape cases. Plays such as this, and the issues they are meant to inform, are fuelled by ambiguity, but Nagy's drama lays it on too thick. With so few clues given to the audience about how to interpret the events on stage, our reaction is less prurient fascination than indifference.

The festival's most effective production, Wendy Hammond's Julie Johnson, is impressive less for any innovations in theatrical form than for the freshness of Hammond's voice and e remarkable performance by Lily Knight as the title character, a working-class wife and mother who decides she "doesn't want to be stupid no

She kicks out her husband, enrols in night classes, and discovers a passion for computers and for her best friend, e coffee shop waitress. The dilemma the women face in reconciling their new-found sexual identity with the restrictive standards of their

community is compelling and, eventually, moving.

For all its emotional credibility, Julie Johnson never departs from the formulaic structure of a television movie-of-the-week, a weakness which director Jon Jory counteracts with an aggressively theatrical production black-garbed stagehands move pieces of scenery on and off stage; rock music blares during set change

Humana's annual presentation of 10-minute plays, a disappointment at past festivals, found life in the genre this year. Jane Anderson'e The Last Time We Saw Her is a bittle bombshell of precise naturalism. A young businesswoman tells her boss that she is gay and that she wants her co-workers to know about it. The ensuing conversation turns quietly ngly, but just who is in the wrong?

Susan Miller's My Left Breast is a part-confessional, part-inspirational autobiographical monologue covering Miller's breast cancer and e difficult break-up with a female lover. While

Beethoven. Tomorrow: Jan Latham-Koenig conducts Radio Philharmonic Orchestra and Chorus in works by Beethoven, Mozart and Mendelssohn. Thurs: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tomasi and Berlioz. Fri: Sanford Sylvan song recital. Sat: Jan Latham-Koenig conducts orchestral works by Massenet, Mozart and Dvorak (030-314544)

VIENNA

OPERA/DANCE Staatsoper Tonight, Sat: Tosca. Tomorrow: L'elisir d'amore. Thurs, Sun: Placido Domingo conducts John Dew's new production of I Puritani, with Edita Gruberova, Mario Glordani and Dmitrl Hvorostovsky (repeated May 11, 15 and 18). Fri: Prokofiev's ballet Romeo and Juliet. Next Mon and Thurs: Colin Davis conducts Idomaneo (51444 2955) Volksoper Sat, next Mon; The Makropoulos Case with Anja Silja (51444 2959)

Ronacher Sun, next Mon, Tues, Wed: Pina Bausch Tanztheater Wuppertal (586 1676) CONCERTS

Berlin Philharmonic (505 8190)

Musikverein Tonight: Simon Rattle conducts City of Birmingham Symphony Orchestra in works by Rameau, Debussy, Haydn and Bartok, Thurs, Fri, Sat: Zdenek Macal conducts Pittsburgh Symphony Orchestra in Smetana, Janacek and Tchalkovsky. Sat afternoon, Sun morning, Mon evening: Pierre Boulez conducts Vienna Philharmonic Orchestra In 1994 Vienna Festival. Next Tues, Wed: Claudio Abbado conducts

Beethoven. Tomorrow: Michael German Radio Orchestra in works Caetani conducts Austrian Radio Sun: Bruno Weil conducts Tafelmusik baroque ensemble, with soprano Emma Kirkby (712 1211)

Torquato Tasso, directed by Cesare Lievi, opens on Fri at

WASHINGTON

DANCE/MUSIC Terrace Theater from tonight till

 Christoph Eschenbach le conductor and plane soloist with National Symphony Orchestra on Thurs, Fri, Sat and next Tues at Kennedy Center Concert Hall. Music by Beethoven and Tchaikovsky (202-467 4600)

 The Winter'e Tale: Britain's Royal Shakespeare Company is in residence et the Eisenhower Theater for the next three weeks

(202-467 4600) A Room of One's Own: Eleen Atkins in her acclaimed portrait of Virginia Woolf. At Arena Stage, Kreeger Theater, till June 19 (202-488 3300)

 Hot'n'Cole: a Cole Porter musical revue, comprising more than 50 great songs by the master of American popular music. Opens tonight at Oiney Theater, till May 29 (301-924 3400)

 Hot Mikado: this 1940s swinging version of the G&S operetta has returned to Ford'e Theater (202-347

ZURICH

Opernhaus Tonight, Fri: choreographies by Blenert, Ek and Van Manen. Tomorrow, Sat (also May 11, 15, 18): Lamberto Gardelli conducts Andrei Serban's new production of Adriana Lecouvreur, with cast headed by Mara Zampieri and Neil Shicoff. Thurs, Sun: Fedora with Agnes Baltsa and Luis Lima. Sun afternoon: Die Zauberflöte. Next Mnn: Alban Berg Quartet (01-262 0909)

Tonhalle Tonight, Thurs, Fri: Nello Violin Concerto, with Igor Oistrakh. plays Vivaldi's Four Seasons (01-261

INTERNATIONAL

ANTWERP

De Vlaamse Opera Sun: Stefan Soltesz conducts first night of Willy Decker's production of Billy Budd. with cast headed by Michael Kraus, Nigel Robson and Gidon Saks. Repeated May 10, 12 and 14 in Antwerp and May 20, 22 and 27 in Ghent (03-233 6685)

**AMSTERDAM** 

Concertgebouw Tonight: Mikheil Pletnev conducts Russian National Orchestra in works by Tchaikovsky, Skryabin and Rakhmaninov. Tonight (Kleine Zaal): Felicity Lott song recital. Fri: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tomasi and Beriloz. Sat morning: Sarah Walker song recital Sat, Sun, next Tues: Philippe Entremont conducts Netherlands Chamber Orchestra in Mozart, Ibert and Saint-Saens, with plano soloist Stefan Vladar, (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Tonight: Edo de Waart conducts final performance

of Harry Kupfer'a production of Salome, with Josephine Barstow and John Bröcheler. Tomorrow. Thurs: Gulbenklan Ballet mixed bill. Fri, next Mon (in repertory till May 22): Peter Schat'e new opera Symposion, conducted by Hans Vonk and staged by Ian Strasfogel. Sat, Sun, next Tues: Sankai Juku presents Yuragi, play by Ushio Amagatsu (020-625 5455)

**■ BRUSSELS** 

Palais des Beaux Arts Tonight: Hans Graf conducts Belgian National Orchestra in works by Mozart and Haydn, with cello soloist Matt Haimovitz. Fri: Muhai Tang conducts Royal Flanders Philharmonic Orchestra in Grieg, Nielsen and Sibelius, with clarinet soloist Walter Boeykens. Sat (Conservatoire): Lilya Zilberstein piano recital. Sun afternoon: Patrick Davin conducts Belgian National Orchestra in Weber and Beethoven, with clarinet soloist Walter Boeykens (02-507 8200) Monnaie Tonight, Thurs, Sun and next Tues: Antonio Pappano conducts Willy Decker's production of Peter Grimes, with cast headed by William Cochran, Susan Chilcott and Gregory Yurlsich (02-218 1211)

**■ GENEVA** OPERA/CONCERTS Grand Théâtre Thurs: Bruno Campanella conducts first night of revival of Robert Carsen'a 1991 production of Bellini's I Capulati e i Montecchi, with cast headed by Cecilia Gasdia and Jennifer armore. Repeated May 7, 10, 12, 14, 16 (022-311 2311) Victoria Hall Thurs: Lilya Zilberstein

piano recital (022-310 9193). Fri: Horst Stein conducts Orchestre de la Suisse Romande in works by Mozart and Richard Strauss, with clarinet soloist Aart Rozeboom (022-311 2511) THEATRE

Comédie Daily till Sat: Feydeau's farce La Main Passe, directed by David Bauhofer (022-320 5001) Théâtre de Carouge Next Tues: first night of new production of Corneille's Le Cid, directed by Simon Eine (022-343 4343)

■ CHICAGO

Orchestra Hall Tonight Orpheus Chamber Orchestra with soprano Dawn Upshaw. Thurs, Fri, Sat: Daniel Barenboim conducts Chicago Symphony Orchestra in world premiere of Boulez's Notations V-Vill, plus works by Wagner, Schumann and Skryabin with cello soloist Yo Yo Ma. Sun: Barenboim and Ma recital (312-435 8666)

■ SALZBURG WHIT CONCERTS

The Chicago Symphony Orchestra returns to Salzburg for Whit weekend May 21-23. Daniel Baranboim conducts the opening programme of Brahms and Stravinsky, and Georg Solti conducts two programmes of Beethoven and Stravinsky on the following two evenings (Tel 0662-841307 Fax 0662-840124)

UTRECHT

Vredenburg Tonight: Emerson Quartet plays string quartets by Schubert, Shostakovich and

Konzerthaus Tonight, tomorrow, Sat, Sun (Mozart-Saal): Borodin and Tokyo Quartets give e cycle of quartets by Shostakovich and Gielen conducts South West by Beethoven and Bruckner, with piano soloist Stefan Litwin. Thurs: Melvyn Tan is piano soloist with New Mozart Ensemble. Frl: Oleg Symphony Orchestra and Chorus.

A new production of Goethe's

Akademietheater (51444 2959) Peter Zadek's production of Shakespeare'e Antony and Cleopatra opens at Theater an der Wien on Sat, with Gert Voss and Eva Mattes in the title roles (5883 0237). Repertory at Theater in der Josefstadt includes a new production of John Osborne's The Entertainer (402 5127)

 Parsons Dance Company is In residence at the Kennedy Center'e Sat. Accompanied by Billy Taylor's jazz trio. May 11-15: Washington Ballet (202-467 4600)

Santi conducts Tonhalle Orchestra In a programme including Eigar'e Tomorrow: Il Giardino Armonco

ARTS GUIDE Monday: Berlin, New York and

Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Ger-many, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT

NBC/Super Channel; FT Reports 1230 Sky News: FT Reports 0230, 2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,

I suppose Americans, for historical reasons, are naturally more sympathetic to free-mareas than Europeans. The newly-formed Vienna Coffee Club is typical of scores of discussion groups and think-tanks scattered across the US. What they share is a dislike of government and a burning commitment to economic and personal liberty. Some, such as the Cato Institute in Washington DC, exert considerable influence.

Cynics tend to dismiss libertarians as either cranks or rightwing reactionaries. They say the high-flown rhetoric about "freedom" is s smokescreen. Rich entreprenenrs support such groups, the argument runs, for selfish reasons: to garner political support for lower taxes, a policy from which they stand to benefit.

Perhaps some backers of libertarian groups do have dubi-ous motives. But this is not an srgument against libertarianism: as Adam Smith noted, self-serving hehaviour often promotes public welfare more effectively than altruism. Motives in any case have no bearing on the validity of politlcal arguments. While libertarians sometimes welcome supfrom traditionsl right-wingers, the philosophy espoused by true believers would make most conserva-

Libertarians believe in one fundamental principle: individuals should be free to pursue their own goals unmolested provided they do not harm the person or property of others. All consenting acts between adults that do not damage third parties should be permitted. Libertarians are thus highly critical of conservatives for disregarding civil and personal liberties and for impos-

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(one person one vote) is often regarded as an automatic guar-

antee of personal freedom. Lib-

ertarians agree that the alternatives are worse, but they

regard government of any sort

as potentially despotic. The problem is that the right to vote once every few yeare gives the individual little con-trol over the actions of govern-

ment. It exerts no effective

restraint on the capricious will

of the majority, which is often strongly influenced by special

Libertarians fear individual

rights are being crushed even

in such supposedly individual-

istic societies as the US. For a catalogue of recent abuses, see Lost Rights: the Destruction of

American Liberty (St Martin's Press, New York), a new book

by lihertarian author James

regulations that are forcing the

self-employed into bankruptcy,

"asset forfeiture" laws thet

permit officials to seize prop-

erty almost at will, security

forces which search homes and

persons merely on suspicion of

drug abuse, and s mind-boggl-

ing array of arbitrary rules

stemming from some 1,200 sep-

Boyard complains that most

Americans have a romantic

view of government: they judge politicians not by their

record hut, ualvely, by what

they say they will do for vot-

ers. Hs favours rolling back government to its 1910 bound-

Since libertarians believe in

low, flat taxes and a minimal

government (for such func-

tions as defence and law and

order), they are often perceived

as "uncaring". This is some-what unfair, People's ethics are

best judged by their private

actions - not by their politics

The proportion of income that

individuals freely give to char-ity is surely a far better gauge

of their sympathy for their less

fortunate fellows than the

shrillness of their calls for

higher taxes on the rich and

more public spending, much of

which only induces depen-

dency in recipients thus fur-

ther eroding their life chances.

The libertarian voice deserves

aries - before income tax.

arate federal programmes.

Boyard. He worries about tax

interest groups.

AMERICA

ing their moral codes on the entire community. They reject military con-

scription (even in wartime) as s wholly unacceptable infringement of personal liberty: they oppose all forms of censorship, including restrictions on pornography; and they etrongly advocate equal legal treatment of all citizens, regardless of sexual orientation, race or gen-der. A libertarian could have no principled objection to bomosexual marriage, or to adult prostitution, which is a service in obvious demand.

in these respects libertarians are firmly "left of centre". But they part company with social democrats on economics. They do not believe personal and economic freedoms can be disentangled. As Mr Murray Rothhard, a prominent American libertarian, has often argued, civil liberties are rooted in economic freedoms. Why? Because we cannot do anything without control of physical objects and, ultimately, we cannot control what we do not own. Liberty is thus a myth unless individuals can own and transfer assets without interference.

The axiom that interactions between people should not be interfered with unless they damage third parties thus logi-cally extends from free speech and sexual conduct to the exchangs of goods and services. Yet when government imposes taxes or regulations, it forcibly interferes with these voluntary economic exchanges. Taxation, for example, means that employees often receive two thirds or less of the monetary value of their output. Extreme libertarians, such as Rothbard, reject all taxation as "theft"; moderate libertarians accept the need for some taxa-

tion, but oppose progressive

Mr André Bénard, co-chairmen of Euro-tunnel, will on Friday join the ranks of engineering pioneers such as Thomas Tel-ford, Isambard Brunel and Ferdinand de Lesseps who have presided over grand engineering projects completed late taxes - proportionately higher taxes on the wealthy. Weetern-style democracy

and over budget.

The official opening of the Channel tunnel by the Queen and President Francols Mitterrand of France is a year later than originally planned. A full service is unlikely to be svallable until the autumn.

more than £10bn including interest payments, is more than double the £4.8bn forecast in 1987. Shareholders, who have invested £1.6bn already, mer to find another £500m-£750m as Eurotunnel seeks to raise yet more cash to meet the banks will have to lend more.

Their experience, and those of promoters of other large engineering projects, raises the question of whether such pioneering schemes are suitable for private investment when they are almost impossible to cost in advance. Potential promoters of the

£2.7bn proposed high-speed rail link between the Channel tunnel and London have succesfully argued that the government should share the financial risk as it can take a broader view of other social and economic benefits which the development may bring. The UK government says it will bear part of the cost but the amount has not been

decided. Developments which have eubstantially exceeded their original hudgets in recent years include the Thames Barrier which cost £46m (compared with an original price of £23m), and the NstWest Tower in the City of London, £115m (£15m). Outside the UK, the Seikan rall tunnel, connecting the island of Hokkaido to mainland Japan was completed 14 years late and billions of

pounds over budget. History is littered with grandiose schemes which have failed to satisfy the original expectations of bankers, investors and politicians. Yet many have come to be regarded as successes bringing great strate-

Mr Patrick de Pelet, head of project finance st Kleinwort Benson merchant bank, says: "The political commercial and financial risks involved in large infrastructure projects are such that the private sector

The Channel tunnel opens this week, late and over budget. Andrew Taylor says it is not unique

# Pounds, pioneers and more pounds



Light at the end of the immel: an inside view of the Channel project and, inset, Sir Alastair Morton

will look to the government to bridge the gap to hring the economics into balance in this more demanding climate."

Mr Roland Paxton, historian at the Institution of Civil Engineers, says large projects have particular features which make it difficult to forecast the cost and construction time. He says the scale of the work means that construction, invariably, has to start before detailed designs are completed and potential problems and bottle-necks can be identified. Engineers without detailed plans tend to be over-optimistic in their projections, particularly with nervous bankers and

shareholders to convince. For example, a cooling sys-tem in the Channel tunnel was not included in the original plans. The need for one only became apparent when final designs revealed that friction caused by the passage of some of the world's largest trains, together with heat generated by signalling, communications and other equipment, would increase the temperature

inside the tunnels to 50°C. As a result engineers had to install hundreds of kilometres of pipes to pump 220 litres of water a second, chilled to 3°C

by cooling plants equivalent to 25,000 domestic refrigerators. Designs on long-running pro-jects also have a hebit of changing. Mr Neville Simms, chief executive of Tarmac, one

The £10bn cost of the tunnel is more than double the £4.8bn forecast in 1987

of the five British and five French construction companies which built the Channel tunnel says: "The speed of technological development has been such that even if we had spent two years prspsring detailed designs before starting work we would have had to change them before construction was completed.

Even if the technology is

to draw on Organisation and communication problems are different between, sav. s 5km and a 50km nmnel. More than 800,000 concrete segments. 22,000 tonnes of railway track, 15,000 supports to carry over-head power lines and 20,000 light fittings were just some of the components installed in the Channel tunnel.

simple, the scale of large pro-

jects in itself makes costings

unreliable, if only because

there is no previous experience

Mr Michel Barbier, responsihie for installing mechanical and electrical equipment from France, described the process of transporting much of that equipment through the narrow tunnel mouth as like "force feeding s goose in a very short space of time to produce the best ever paté de foie gras".

Such problems are bardly new. Thomas Telford, who hullt the Menai bridge between Anglesea island and the Welsh mainland in 1826 - then the world's largest suspension bridge - had expected the scheme to be completed in

three years at a cost of £70,000.

Instead he found the technology outpacing him. The bridge took eight years to build and cost £170,000 after Telford was persuaded that it would be stronger if he increased the height of its towers. The bridge improved an important Anglo-Irish trade route and gave Britain a lead in bridge building technology which it was able to exploit elsewhere.

The financing of the Snez Canal, completed in 1869, is a classic example of engineers persuading investors that they

persuading investors that they would be able to meet over-op-timistic cost forecasts. The private-sector project, proposed by Ferdinand de Lesseps, a French entrepreneur, was to be financed by the issue of 400,000 shares at FFr500 each to meet the £8m construction cost. But the project finished a year late and cost £18m.

Even than, shareholders problems were not over. Revenue from the canal failed to cover costs and the promised 5 per cent dividend on the shares, Ishmail Pasha, the viceroy of Egypt, whose family had spent £6.8m on the canal shares, sold his stake to the British government for £4m.

De Lesseps ran into still more serious trouble with plans to finance privately the Panama Canal. The project was forecast in 1880 to cost \$240m, including Interest repayments. It was expected to take 12 years to complete.

The venture was eventually finished in 1914 by the US government after the French ven-ture failed in 1889 having spent \$287m and made little progress in building the canal. The US spent a further \$352m on the project, making a total of 19m - more than two and a

half times the original budget.
Another private-sector project that had to be rescued by a government was the first tunnel under the River Thames huilt 150 years ago by Marc Isambard Brunel (father of Isambard Kingdom Brunel). Shareholders lost all of their money hut the project was an engineering triumph hreaking new ground in tunneling technology. The tunnel is still used as part of the London Under-

Telford, De Lesseps and Brunel may have failed to meet their original financial targets and many shareholders have had their fingers burnt. But their projects have yielded strategic and economic benefits over many years. With Eurotunnel shareholders facing yet another call on their cash, that might bring them a little satisfaction.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Lett not hand written. Please set fax for finest resolution

#### Orange off colour with its message

From Mr Alon Greene.

Sir, As someone eagerly awaiting the arrival of the UK's fourth and last mobile phone operator before deciding which system to use, I have heen disappointed with the launch of Orange. I can see where the £15m on advertising is being spent, namely on TV and one word poster adverts that tell you nothing about the product or how to get one. I have been into phone shops and am aware that there are plenty of handsets in stock. The only thing I don't know is how much it costs, as tariff sheets and contract details are

in short supply. Whereas newspapers carried full tariff details on the launch of the Mercury PCN in both adverts and in articles, the garbled reporting of Orange's launch in last Thursday's FT -"there are to be no monthly charges. Its plan for occasional users costs £15 a month including..." – does not help to clar-

ify matters. Whatever happened to bene-fit selling? I feel that Orange's concept approach to marketing that overlooks its product'a benefits is going to cost it dear. Or maybe the tariffs are best not explained in case they cost the customer dear. Alan Greene 32 Glen Road,

Fleet, Hants GU13 9QR

# Auditor liability must have limit

From Mr Ian Brindle. Sir. The Chartered Association

of Certified Accountants in Its submission to the Department of Trade and Industry on auditors' liability has missed the point ("Accounting body warns over cap on audit liability",

To argue that allowing auditors the right to negotiate s limit on liability would be anticompetitive, and therefore against the public interest. simply misunderstands the ness of the position. it is quite clear that, follow-ing some spectacular corporate collapses and the ensuing epidemic of legislation, the major firms are now facing claims of such size that one or more of them could be hankrupted.

Insurance cover is no longer available and, unless the Com-panies Act is amended to allow auditors to negotiate an upper limit for lawsuits, some firms

Incorporation has been men-tioned as one solution hut,

while it would offer soms protection to individuals, the company as an entity would still be at risk in the event of an excessive lawsuit.

The consequences scarcely bear thinking about. Setting aside the mayhem lt would cause in the secountancy profession, husiness would be badly damaged as companies would be unable to substantiate their accounts and eo attract investment. This dislocation would continue for some time and by no stretch of the imagination could that he described as in the public

Let us he very clear, the major firms are not trying to shirk responsibility. We are vary willing to accept our share of the blame, but not everyone else's share. It cannot ha right that auditors are exposed to 100 per cent of a loss, whatever their proportion of the hlame. What is most

costs of what is directly attributable to them. However, the Law Commission has made it clear that its workload makes this change most unlikely in the short term. In this event, all we are seek-

> law to bring us into line with other professionals who already have the right to negotlate a limit on what they have to pay out. Pursuing the goal of free competition is laudable and one to which we subscribe. Ws do not believe limiting audi-

ing is a modest change in the

eral liability should be changed

so that auditors only bear the

tors' liability goes against this. What we do believe is that failure to change the law will damage industry as much, if not more than, the profes-

Ian Brindle, senior partner, Price Waterhouse, Southwork Towers 32 London Bridge Street,

#### Quotas raise questions about DTI's competence more disturbing questions From Mr Ben Coleman.

that the law on joint and sev-

Sir, Philosophical discussions over subsidiarity in relation to the Cardiff Bay barrage and the sudden introduction of EU import quotas on Chinese silk shirts miss the point (Letters, April 25 and 28, and report, "Clothes retailers hit as Brussels imposes limits on silk imports", April 22). The silk shirts affair throws up far about the competence of the Department of Trade and Industry and the Foreign Didn't the DTI and the FO

have any idea in advance that the EU wanted to impose quotas? If they did, why was there no warning to British importers, which are left with over-seas stock they have paid for not, why on earth not?
The important issue here is whether British industry is suffering yet again from the failure of our politicians and civil servants to understand how to monitor and influence developments in Brussels. Ben Coleman.

14 Boscombe Road

#### Incomplete picture conveyed of power workers' attitudes

Sir, Frank Ledger and Howard Sallis'e article about the operations of the Central Electricity Generating Board during the 1984-1985 miners' strike ("We kspt the bome fires burning". April 23) was a trailer both for their forthcomng book on the subject and for the BBC2 documentary, "The men who kept the lights on",

shown the same evening.

The producers of the documentary had the laudable aim of bringing that story to a their choice of interviewees they conveyed the Impression that the only members of the workforce who co-operated with management in carrying out the industry's fundamental

public service commitment to keep the lights on were weak, unprincipled or greedy, or all three. It was not so. Among the industry'e work-

force there was much sympathy for the miners' predicament. But, with comparatively few suceptions, it did not translate into support for the strike itself - for obvious reasons. Arthur Scargill, the miners' leader, with his own overtly political objectives, made a lot of people wary, even when sympathetic. He not only endorsed picket-line violence, hut it was widely appre clated that, in the absence of a ballot, he needed it. Scargill's slogen that no mine should be closed on economic grounde rang no bells with s workforce

which accepted that power stations had to be closed when were no longer economic. And then there was always a strong sense of responsibility about electricity supply being a public service.

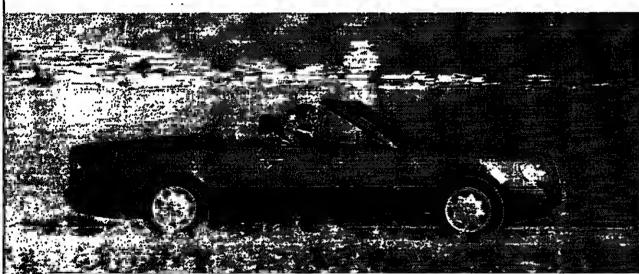
Management was only able to pull the industry through the strike in the way it did because the workforce as a whole was, at the very least, unpersuaded about the legiti-macy of the miners' etrike under Scargill's leadership. No one could know that from watching the documentary

Of course, there were those in the industry who strongly supported the strike. They also had honourable reasons, but they were in a minority. At perhaps six or seven of (from

memory) about 90 power stations support for the strike was sufficiently etrong to prevent management from getting in any new coal supplies. But at the great majority of power stations these problems did not arise or else were comparatively minor. No one could have known that from watch-

ing the documentary.
I do not think the producers of the documentary set out to produce the skewed picture with which they ended up. But they should have painted the wider picture as well. John Lyons

(former general secretary of the Electrical Power Engineers Association),



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### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday May 3 1994

# Europe's parliament

European Union institutions often face justifiable criticism for lack of transparency in decision-making. One of the bodies best placed to address this problem is the European Parliament, but the public doubts its effectiveness. That is one reason why, in most EU countries, the turnout in the election for the Strasbourg assembly on June 9 and 12 will probably be much lower than in national polls. In fact, as a result of the Single European Act that came into force in 1987 and the Maastricht treaty, the power of the 518 (soon to be 567) MEPs in many cases exceeds that of members of national parhaments. With the ability to determine Europe-wide legislation, vet both the European Commission and Council of Ministers and check the EU budget, Europe's transnational assembly demands to be taken seriously. At the same time, the rules governing the par-liament's own operations need to be tightened. If it wants public sympathy in its campaign for a more directly democratic EU, the parliament will have to correct its

own shortcomings. At present, the parliament offers a case study in unwieldiness, due only in part to the inevitable problems of linking 12 states' diverse political cultures. Efficiency is constrained and costs increased hy MEPs' need to peregrinate between plenary sessions in Strasbourg and committee meetings in

Higher profile

The parliament's difficulties have often reflected national governments' unwillingness to allow It to undermine national parliaments. However, during the next five-year legislature period, it will have a much higher profile. Already, around 2,000 MEPs' amendments relating to single market legislation have passed into law. Under Maastricht, the parliament shares "co-decision" power with the Council of Ministers. It can veto most measures passed by qualified majority voting, in fields ranging from consumer protection and vocational training to health and research.

In a fresh sign of its importance, the parliament is due to decide tomorrow whether to accept the formula for EU voting planned when Austria, Finland, Norway and Sweden join.

It would be both unwise and regrettable if MEPs risked delaying an enlargement timetable port within the EU, but which is politically sensitive in the applicant countries. The parliament is however, on stronger ground in seeking confirmation hearings with nominees for the new Commission due to take office next year and is playing a welcome part in efforts launched by the Dutch to reduce secrecy in EU ministerial discussions.

Credibility

In its supervisory or watchdog role, the parliament can have a beneficial impact in promoting transparency, controlling EU bureaucracies and curbing overspending, including that linked to fraud. But these efforts will command little credibility while evidence persists of parliament's own mismanagement.

Responsibility for the wastefulness of the Brussels-Strasbourg Euroshuttle lies largely with the French government, which has constantly opposed siting the parliament in its logical home, the Belgian capital. Nonetheless, the parliament is partly to blame for the cost over-runs on its new building in Brussels and for the plan to create an expensive new chamber in Strasbourg. Independent inquiries into both affairs are

Among necessary procedural reforms, the parliament must widen timely dissemination of its often valuable committee work. It must also try to ensure a more cohesive framework for its debates and for the ensuing votes. Possible moves to crack down on absenteeism might include suspension or expulsion of MEPs. Equally, given its influence over EU legislation, the parliament needs firmer rules for disclosure of members' links with outside companies.

To reinforce the democratic legitimacy of EU decisions, it is healthy that the parliament is acquiring and using extra muscle. But there is also a need to scrutinise the scrutineer. Only if it respects the principles of probity and openness in tha conduct of EU affairs can the parliament hope to safeguard them. Without a better reputation, the parliament will fail to engage the interest and to win the trust of Europe's voters.

# ave limit The business of smoking

The acquisition of American Tobacco by BAT Industries is at first glance a perverse step. For one thing, it appears contrary to BAT's strategy of diversifying away from cigarette sales into financial services. For another, BAT is investing in the US tobacco market at a time when sales are declining and the antismoking climate is shifting from determined to downright zealous.

Yet BAT has benefited from the adverse circumstances - as its share price rise shows. Fears over the future of the US market mean that the price paid for American Tobacco is cheap at under 10 times earnings. The acquisition should allow BAT to strengthen its market position through effi-ciencies in marketing and sales. In spite of falling sales and the price war launched last year by Philip Morris, tobacco continues to produce strong cash flow.

This cash can be used in diversify out of tobacco. BAT continues to look for opportunities in finan-cial services. American Brands, former owner of American Tobacco, has built up a strong portfolio of other consumer brands. But the collapse of communism creates enormous opportunities for companies that remain in the tobacco business. Markets such as China and the former Soviet Union are now opening up with fast-growing sales.

The tobacco giants would be unwise to assume that they can indefinitely expand the market for their products, however, even in less developed countries. The health consequences of smoking on those who indulge in it are now undisputed and clear. As life expectancy in such countries lengthens, the cost in premature deaths and medical treatment will become evident. Restrictions on sales and marketing will follow.

Anti-smoking activists

The rapid change in thinking in the US should be a warning of how fast the climate for smoking can change, even in a country with a substantial tobacco industry. The election of President Bill Clinton has ended a period in which anti-smoking activists had minimal impact and US diplomats did their best to open foreign markets for their tobacco companies. Far-reaching measures now pro-

posed could restrict smoking to the privacy of the home, the car or special smoking rooms sealed off from the rest of the world.

Given the growing evidence on the health impact of smoking on non-smokers, it is certainly sensible to ensure that the latter can avoid "passive smoking". The threat of litigation will compel employers to protect their nonsmoking employees from tobacco smoke. The prevailing mood may also lead businesses such as res taurants to segregate their smok-ing customers. Smokers in public places will face increasing restrictions at the behest of the nonsmoking majority.

Draconian measures

Yet some of the more draconian measures now proposed are unlikely to be effective. Punitive taxation, for example, is tempting because it bears heavily on "sin ners". It can also be shown to reduce consumption and deter young people from the habit Excessively high taxes, however also increase the sort of cross-bor der smuggling that recently forced Canada to cut its tobacco tax.

Even more drastic attempts to treat tobacco like other dangerous drugs is likely to make control more difficult. Banning other widely-consumed drugs such as marijuana has not significantly reduced their consumption. It has, however, removed them from controls over distribution, to the advantage of those who sell more dangerous substances. As with alcohol prohibition in the US, the main beneficiarles are criminals.

Nor is it clear that complete bans on advertising are efficacious (other than in defending state tobacco monopolies against for eign competitors). There is some evidence that smoking may increase in countries with bans because of the disappearance of the anti-smoking messages thet

advertisements are normally required to carry. Reducing the number of smokers and the amount of smoking is a legitimate and worthwhile aim of public policy. But pragmatism is needed in chosing the means. And success is likely to be grad nal, a fact that allows the tobacco companies very many more profitable years before their market disappears completely.

#### he world of grand prix motor racing, still mourning the death at the weekend of threetimes world champion Avrton Senna and Austrian driver Roland Ratzenberger, yesterday began the process of analysing the causes of the fatalities at the San Marino Grand Prix - and their implications for the sport's future.

A formal investigation is being launched by the Paris-based world governing body of motor sport, the Federation Internationale de l'Automobile. Before the lights turn green at the Monaco Grand Prix on May 15, the drivers will have beld their own meeting to discuss whether additional steps should be taken to

improve safety.
Ironically that meeting was initiated by Senna himself. In part it was a consequence of his concern that changes made this year to the rules governing grand prix cars, in particular a ban on "active" (com-puter controlled) suspension, trac-tion control (to prevent wheel spin under acceleration), and other driver aids, were making the cars more difficult to control.

Senna lived for the satisfaction racing at the limit gave him. He brought to grand prix not just natural driving talent but a self-discipline and analytical rigour. Never-theless, in spite of his renowned aggression on the track, no one was more aware of motor racing's risks than the 34-year-old Brazilian: "I know you are always in danger of dying . . . and it can really get to you. If you're not careful you can see how fragile you are; that you can be gone in just a fraction of a second." he said recently.

His death raises questions not just about the safety record of grand prix racing and measures that might be taken to improve it but also the extent to which it should regard itself as a entertainment spectacle, necessarily involv-

The FIA's president, Mr Max Mosley, yesterday defended this year's rule changes of which Senna was critical. The FIA introduced them, Mr Mosley says, as a means of restoring a greater role for the driver. Had the trend to greater electronic control of the cars gone unchecked, maintains Mr Mosley. we would fairly quickly eliminate the driver. One skill after another would go until, in the end, almost anybody would be able to drive the car. It's all technically fascinating and very relevant to road cars - but we felt it would destroy an essential

# High-powered decisions ahead

After the death of two drivers, the sport of grand prix motor racing faces difficult choices, writes John Griffiths

element of grand prix racing."
He perhaps did not realise it but Mr Mosley was in effect saying that technology has given grand prix, the ability - and the responsibility - to decide what level of risk should be involved.

The ramifications of the questions raised extend beyond the grand prix teams to embrace all the participants in what has become a global industry, as well as a sport.
With each race watched in more

than 100 countries and by about 1bn television viewers, Formula One Grand Prix has become a marketing tool for carmakers and other multinationals ranging from clothing group Benetton to the tobacco

Yesterday the Ford motor company, which provides engines for several teams including current championship leader, Benetton-Ford, withdrew a series of newspaper advertisements to celebrate its weekend victory. And Renault. whose engines powered the Williams car in which Senna died, itself called for greater safety measures

Such reactions are understand-able, as is that of the German driver Michael Schumacher, whose third win in a row in his Benetton-Ford at the weekend was overshadowed by the tragedies. Schumacher has pledged to lead the Monaco meeting himself in the quest to secure greater safety.
The immediate investigations will

concentrate on discovering what caused Ratzenberger to leave the track at such high speed - close to 200mph - on Saturday and Senna, 24 hours later, to crash head-on into the concrete wall lining Imola'e notorious Tamburello curve at a similar speed. Video and eye-witness evidence

indicate that bodywork broke away on Ratzenberger's car, causing it to lose stability. hi Senna's case there are few clues, except that on the evening before the race he was reported as worried about his car



After Senna: grand prix racing needs to re-examine its safety standards

cuit, one of the world'e fastest but criticised by several drivers for being bumpy. The data-logging black box" from the wreckage of Senna's car may hold the answers to the crash and will be flown to the UK for examination within the next

Another issue of immediate concern is the safety of racing circuits. The Monaco drivers' meeting is expected to concentrate on this issue. More gravel traps to slow the cars before they bit barriers and longer run-off areas might well have reduced the catastrophic con-

sequences of the weekend's crashes. Honeycomb barriers, rather than rigid steel or concrete ones, might also have clowed Senna's and Ratzenherger's deceleration rate enough for them to survive.

But there are more fundamental decisions to be made. The FIA could chose to retain the new rules, thus placing the onus on the drivers, not technology, to control the cars. The rules also have the advantage of curbing costs, allowing smaller teams to close the gap on the frontrunners, thus making racing more interesting for spectators.

racing - as commercial spectacle first, technology race second - has increased the risk to drivers. The number of spins from driver error in grand prix races this year shows how big the impact bas been, although there is no evidence that this was a factor in the weekend's crashes.

The alternative is for the FIA to relax the restrictions on driver aids. This would give a fresh impetus to the technological side of racing: such is the pace of technology, the cars would not even need drivers within the next five years. Last year leading drivers had merely to press a button when the lights turned to green. It was the on-board computer which operated the accelerator and cintch, changed all the gears and stopped the wheels spinning wastefully until the first corner had been passed. Such driver aids are among those currently banned.

ne problem, however, as the investigations into the weekend's accidents is likely to the cars' carbon-fibre driver "survival" cells are surviving impacts of great severity, the drivers they contain can simply no longer cope with the impact of the gravitational forces in high-speed collisions, even in the absence of other injury.

The blunt question grand prix must ask itself is whether audiences are interested in racing as a risk-free giant Nintendo game, fought by computers with little human input during the races themselves - or wbether commercial interests will drift away towards

something more adventurous.

The advances in circuit design. car technology and materials have in fact made grand prix motor racing safe beyond all reasoned expec-tation. Until this weekend it had been 12 years since a driver was killed while competing in a grand prix; a decade since one died in testing. That is almost 200 races, each of about 200 miles. When testing and practice undertaken throughout each year is added in, nearly 1m grand prix miles have been covered between fatalities.

It is no grounds for complacency. But neither is it necessarily a record to be ashamed of, given this is a sport which has as its essence the human control of half-tonne projectiles travelling at up to 100 yards per second - and in which success is measured by how closely the limit of control can be But this concept of grand prix approached without being exceeded.

#### Central banks in ex-Soviet states remain under the shadow of politicians, says John Lloyd

struggle for independence is being waged by central banks in almost all of the states of the former Soviet Union - a battle possibly as momentous as the countries themselves underwent to achieve state-

For Mr Michael Bruno, chief economist at the World Bank, a central bank is "the way in which society protects itself against itself".

He made his remarks last week. to a conference mounted by Chicago University's Law School which succeeded in getting most of the central bank governors of the post-communist states together to talk about their problems and listen to western bankers tell them how to protect their banks against their politi-

The legacy with which they have to cope is that of a Soviet state bank Gosbank – which monopolised the banking field and was subservient to the Communist party, the government and the ministries. Money allocated to projects and enterprises merely passed though the bank, requiring it to develop no analytical skills; its foreign currency operations, though prudent, were relatively rudimentary; its supervisory functions perfunctory.

The legacy is doubly malign in the non-Russian republics. Gosbank's headquarters in Moscow pos-sessed a tiny corps of highly skilled bankers; its branches in the republican capitals, now independent states, had almost none. "It's very bad when politicians don't underA cry for freedom

But the largest complaint from the central bank bosses is the political chaos in which they work. Mr Victor Yushchenko, Ukraine's central bank governor, works with a parliament still in the process of elections but tending against reform, a president lacking in anthority, legislation to set out the the central bank's remit endlessly delayed, a plunging economy and tiny reserves. "The central bank and the new commercial banks are in a very tough position," he says. They have to act as champions of change in an environment where most of the government and the large state sector are resisting or slowing such change."

The central bankers' situations are diverse but they agree with great feeling on one thing - that their political masters should not have any right to interfere, either directly or indirectly, through overpoliticised appointments.

"The government is alwaye looking for easy money," says Ilman Rimshevichs, the deputy governor of the central bank of Latvia, one of the most successful of the ex-Soviet economies. "In these conditions it's hard to enforce independence and to sell off the state commercial banks which used to supply stand the basics of the market econ-omy. But when the central bankers don't, then it can be a disaster," cheap credit to the enterprises." At the other end of the scale from Latvia are republics such as Geor-

of independence. In Georgia, for example, the currency is close to losing all meaning: from trading at 35,000 to the dollar last November, it fell to 180,000 by Christmas, and

to 650,000 at the end of last month. At still another extreme is Belarus, where an agreement with Russia, signed in April, appears to open the way for the merger of the two Slav states' economies. However,

from the central bank bosses is the political chaos in which they work

Mr Stanislav Bogdankevich, the governor of the country'e central bank, is opposed to the deal, saying that Russian and Belorussian interests diverge too much to make union possible and calling for a strengthening of the national currency before any long-term mone-tary union is contemplated.

Yet, he says, the conditions for a

says Mr Grigory Marchenko, deputy gia and Armenia, whose economies make mainly for the Russian or governor-designate of the Bank of are ruined and where to talk of existence is more germane than to talk enterprises go we will get 50 per which covers the whole economy.'

The brightest star in the post-So-

The largest complaint

separate, fully-fledged national currency in Belarus are absent and likely to remain so. "Now, 90 per cent of our economy is still state owned. The dominant part of the economy is composed of enterprises with 10,000 or more workers, which

cent unemployment. Investment in the economy has practically disappeared. We don't need monetary stabilisation: we need a programme

viet firmament is Estonia. Its prime minister, Mr Mart Laar, and Its central bank governor, Mr Sim Kallas, pnt the success down to the strength of the bank's commitment to a stable currency. Estonia has linked the Estonian kroon to the German D-Mark and given the bank no discretion to lend to the government. At the same time, the governor cannot be fired and future governors will nominate their own successors. The result has been a hard currency, low inflation (though rising now) and an economy set to grow as fast as any in

Europe this year. For Mr Kallas, the reform showed thet "money is seen not just as money, but as a crucial national symbol". Rather more cynically, he confesses that the laws guarantee-ing bank independence, linking the kroon to the D-Mark and barring the government from raiding the bank's coffers were passed through parliament "before the deputies quite knew what it all meant".

Russia is still at the centre of the Gerashchenko, the present gover-

nor, has believed, takes the contrary view to the prevailing credo of most central bankers everywhere else, that his duty is to keep enterprises going even at the cost of high inflation, and has said that he does not believe inflation is directly related to the supply of money in the economy (by contrast, the Esto nians believe this with a kind of mystical fervour).

As the "owner" not so long ago of these now "independent" banks, the Russian bank still exercises influence - the more so as Russia seeks to extend its economic union, drawing other states into the same relationship as that it wishes to have with Belarus. Mr Thomas Wolf, depnty director of the International Monetary Fund department concerned with east Europe and the former Soviet Union, noted that after the Soviet collapse, the former states tried to do two contradictory things - to build up their national currencies and to discuss with the Russian central bank how best to draw their economies closer.

This tension remains. For the central bankers, the success of Estonia and Latvia is less of a beacon than a train disappearing over the horizon which they have missed. Unlike Mr Kallas, they were unable - or unwilling - to get change in place early while the industrial and other lobbies were disoriented. Now they must seek change in the worst kind of circumstances and many of their political leaders are tempted to lean on Russia. The Chicago gathering showed the bankers want to pursue web - though none of its central independence: but it showed, too, bankers came to Chicago. Mr Victor bow far they remain under the

### OBSERVER

#### Summertime blues

 Volkswagen supervisory board chairman Klaus Liesen must be heartily sick of the Lopez affair. Dragged back early from his Majorcan holiday last summer when the industrial espionage case first blew up, he has been grumbling that the investigation may dish plans to freshen the tan this year too.

That particular grim prospect dawned during last Thursday's interview with US justice department officials in London a meeting which Liesen decided to attend, the alternative being an invite to America under subpoena.

While German investigators are still ploughing through the data seized from VW last August, fleeter-footed Washington sleuths have arrived on their back doorstep.

Following an exchange with his mestioners about the hiring of Basque production genius José Ignacio López de Arriortúa from General Motors last spring, Liesen agreed willingly to further interviews - on similar, any time anywhere, terms. Holiday or none, the grizzled Prussian lawyer wants to be

helpful, you see. With retirement looming from his main job as chairman of Ruhrgas, it's in his interests to try and look as upright and effective a non-executive as But he far from relisbes the

thought of having to remain on base for many a week to come. Making himself available at Ruhrgas's head office, on the other hand, might speed up proceedings. One visit to Essen is normally enough for almost any visitor.

Fast forward ■ Whatever can have cropped up

in Lord Parkinson's diary last week that prompted the Thatcherite. profoundly Euro-sceptical Conservative Way Forward, of which he is chairman, to postpone the launch of its new manifesto? Fielding Parkinson as its excuse for the sudden scheduling problem the group says it is now postponing publication until mid-June. By then, of course, the local and European elections will be comfortably - or uncomfortably

behind John Major and his party. Even if CWF had a less than totally free hand in the rearrangement, it may still have the last laugh, though. The worse the conservatives fare in the polling, the more plausible becomes



the new manifesto as e recipe for averting disaster in the next general election.

Whips' cream

■ As European members of parliament prepare to vote on the ticklish subject of EU enlargement tomorrow, spare a thought for the whips feverishly trying to ensure

a respectable turnout. Unlike their domestic counterparts, the bully boys of Strasbourg suffer an embarrassing paucity of sticks and carrots. With a houseful of backbenchers and no cabinet, how can you reward the dutiful - and more pertinently, punish the wayward?

Conservative chief whip Lord Inglewood has learned one or two tricks since he took up his birch at the beginning of the year.

The division of committee spoils in the next parliament is one focus of considerable interest, for instance. Apparently the real bogey for

conservatives is - un-PC thought coming up - being assigned to the women's rights committee. For the Labour party, it's legal affairs. "I'm on that," Inglewood

An equally effective tool, he goes on, is the lure of a place on one of the "interparliamentary delegations" - the most popular junkets being to the US or China.

Yep, MEPs are uncomplicated heasts, really.

Number one

Persuading Yassir Arafat to break from the last detailed negotiations of the peace talks with Israel was no mean feat on the part of Daimler-Benz, which yesterday wooed the PLO leader to Stuttgart. The idea was to signal the support of Germany's biggest

industrial empire for the peace process - though just how far there is still to go was obvious from the cavalcade of 17 heavily-armoured four-tonne Mercedes limousines accompanying the visitor.

Seeing that Arafat is not quite a bead of state yet, he misses out on the traditional Daimler gift of a Merc. Instead, he came away with the promise of funding for a kindergarten - for "the future of Palestine" - as well as cash for a study on establishing the transport infrastructure of the future etate.

Gleaming new roads to carry all those future trucks and buses no doubt. Even for Edzard Reuter. the socially-conscious boss of Daimler, the profit motive is never entirely absent.

Oh golly

■ Pretoria-Witwatersrand-Vereeniging hardly trips off even a South African tongue. Hence tha search for a more euphonic handle to fit the sprawling conurbation around Johannesburg, one of the nine new provinces, "Egoli" meaning "place of gold", and the name given to Jo-burg by black mineworkers, was an early suggestion. But then, what would non-white residents of Egoli be

called? Quite. The search continues.



Arrest warrant out for Berlusconi executives

# Milan magistrates back inquiries into Fininvest

By Robert Graham in Rome

16

Investigations by Milan magistrates into the affairs of Mr Silvio Berlusconi's Fininvest empire have resurfaced just as the media magnate begins the final stages of consultations to form a government

Yesterday a civil liberties court approved a request by the Milan public prosecutor for an arrest warrant to be issued against Mr Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of

Mr Berlusconi described the court's move as a "buge mistake". Mr Dell'Utri's lawyers have challenged the decision and the matter now goes to the

appeal court.

The incident has shown that magistrates are still investigating Fininvest, which was controlled directly by Mr Berlusconi at least until last sutumn and the chairmanship of which he relinquished only in January.

Mr Dell'Utri, a long-time associate of Mr Beriusconi, was the principal figure behind the organ a request to send 37 politicians,

isation of the businessman's Forza Italia political movement, which relied heavily upon Publi-talia's contacts and offices.

The charges emerged in March during the election campaign and relate to alleged illicit payments made for transfers of football players to Mr Berlusconi's AC Milan. A lower court rejected the validity of the arrest warrant

The court's decision came two days after two Milan magistrates publicly rejected overtures from Mr Berlusconi to join his new government. In particular, Mr Berlusconi had been trying to persuade Mr Antonio Di Pietro, the best known of the anti-corruption investigators, to accept the interior ministry, justice ministry or become bead of the

Opinion polls consistently show Mr Di Pietro to be the most popular figure in Italy. In ouncing the refusal to switch to politics, the anti-corruption magistrates reiterated their commitment to pursue investiga-

They backed that up by issuing

### safety meeting follows deaths

By John Griffiths

for trial for involvement in the

"mother of all bribes" - tho L150bn (\$91m) paid out to permit the Farruzzi Montedison group run by the late Raul Gardini to

pull out from its Enimont chemicals joint venture with Kni, the

The politicians include former

Socialist leader Bettino Craxi and Mr Arnaldo Forlani, the former

Christian Democrat party secre-tary, as well as Mr Umberto Bossi, the leader of the Northern

League. In a separate move last Friday,

Milan magistrates requested that

Mr Berlusconi's younger brother be sent for trial for three alleged

bribes totalling almost L1bn, paid

to facilitate property deals with Cariplo, the Milan-based savings

bank. One of the payments was allegedly made in 1982, before Mr

Berlusconi formally transferred

his construction and property

All that suggests that, if Mr Berlusconi gains a vote of confi-

dence for his government next

week, he will continue to be

dogged by investigative problems

said there was no reason to

believe the ceremony would be delayed and that the final Israeli

withdrawal would begin "imme-

The first 1,000 of an eventual

9,000-strong Palestinian police

force were due to arrive in Gaza

and Jericho by Friday, Mr Shaath said, adding that some Palestinian members of a joint

co-ordination team to oversee

the transition of police powers

left Cairo for Gaza yesterday.

diately" thereafter.

interests to his brother.

state oil concern.

An emergency meeting to consider Formula One safety has been called for tomorrow by the world governing body of motor sport, the Fédération Internatio-nale de l'Automobile (FIA), after the deaths at the weekend of grand prix drivers Ayrton Senna

and Roland Ratzenberger. The move to ascertain as quickly as possible the precise causes of the double tragedy came as tributes were paid around the world to Senna, the 34-year-old triple world champion from São Paulo.

Mr Itamar Franco, Brazil's president, has declared three days of national mourning for Senna, who died of head injuries on Sunday when his Renault-Williams car left the track at 180mph during the San Marino Grand Prix at Imola.

Austrian driver Ratzenberger was killed 24 hours earlier when his MTV Simtek Ford left the track near the same spot at similar speed chiring practice.

The FIA said last night that

tomorrow's meeting in Paris would examine technical, medical, safety and supervisory staff reports, as well as take evidence from team and circuit personnel. By last night, no firm evidence had emerged of the cause of either fatality, Mr Max Mosley, FIA president, said. Defending rule changes imposed by the FIA which this year have outlawed electronic driver aids, such as

traction control to prevent wheelspin, Mr Mosley said there was nothing to link the accidents with the technology ban. Grand prix drivers are to make their own reassessment of the safety situation at a meeting before the Monaco grand prix in

Ford and Renault, both major engine suppliers to leading teams, last night supported calls for a further safety

two weeks' time.

An indication that grand prix may now face a period of public controversy came with a strong L'Osservatore Romano.

High-powered decisions ahead

#### Dollar

Continued from Page 1

held on to this level during early US trading, up from last week's close of Y101.65.

Near midday yesterday in New York, the US currency was trad-ing weakly against the D-Mark st DM1.6483, down from a close of DM1.654 the previous session. dollar against the German currency on Friday came when it touched DM1.645.

# US encouraged by Syrian plan for Mideast peace

The comprehensive peace settlement eluding the Middle East sppeared to edge forward yesterday as a result of proposals negotiated between Syria and Israel at the weekend.

Israel said it was listening with "great interest" to Syrian propos-als delivered to Mr Yitzhak Rabin, the Israeli prime minister, by Mr Warren Christopher, the US secretary of state, Israell officials said the offer appeared to mark a new recognition on the part of Damascus to discuss Israel's security needs. However, Mr Mordechai Gur,

Israel's deputy defence minister, poured scorn on Mr Christopher's secretary of state had failed to deliver anything that would allow Israel to say they were entering more serious Syrian

The usually cautious Mr Christopher said the two parties were now "talking on a comprehensive range of issues" and had entered a "new, more substantive phase".

A hreakthrough in negotiations with Syria remains the key to a comprehensive regional peace accord between Israel and its Arab neighbours, including Lebanon and Jordan The initiative emerged after

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Damascus rejected the idea of an Israeli withdrawal from the strategic Golan Heights, occupied by Israel in 1967, which Mr Christopresented to President al-Assad in Damascus on

Palestinian and Israeli negotiators yesterday moved "smoothly" towards completing final details of the agreement on Israeli withdrawal from Gaza and Jericho, set for signature in the Egyptian capital tomorrow, Mr Nabil Shaath, the chief PLO negotiator, said yesterday, writes

We are at the gate of a major achievement for our people and for all the people in this part of the world," Mr Shaath said. He

Saturday. Israel, hoping that tomorrow's peace agreement with the Palestinians will unblock talks with Syria, had offered Syria a three-stage with-

Israeli media reported that Israel bad offered to withdraw in three stages over five to eight years. In the first stage, Israel would hand over some territory, including Druze Arab villages, in return for establishing diplomatic relations and security guaran-

In the second phase, Israel would dismantle Jawish settlements and consolidate security arrangements, including a large demilitarised zone.

The Israeli proposal, which stopped short of offering a complote evacuation of the Heights. was the first time the Jewish state has offered such a comprehensive withdrawal package Syria, however, rejected the

Israeli proposals. Mr Farono al-Shara, the Syrian foreign minis-

Mark Nicholson in Cairo.

ter, said the Israeli proposals "did not cause any change in the Syrian position. Full Israeli withdrawal is the basis for the peace process." Mr Shara said Damasstages and described reports of the early return of Druze Arab

villages on the Golan as "a silly However, behind the rhetoric Israeli and US officials said Damascus had formulated an interesting alternative set of proposals in eight hours of meetings with Mr Christopher on Saturday and Sunday. The Syrian propos als will form a basis for talks

FT WEATHER GUIDE

with further US mediation. Mr Shimon Peres, Israeli foreign minister, said: "We have heard with great interest the news the secretary of state has hrought hack with him ... to digest and analyse the news we

> Palestinians to have right to set up stock market, Page 5

#### Formula 1 THE LEX COLUMN

# Brave new world

South Africa's capital markets are driven by politics and international investors are busy applauding tho country's momentous changes. The stock market has surged in recent weeks and the currency has appreci-ated strongly against the US dollar. Further waves of suphoria seem likely to push both markets to new heights. But when politics is the dominant investment consideration, unpredict-ability is certain. Several factors are now critical for the future outlook.

If the ANC ends up with more than 66 per cent of the votes, then many will fear they will override the checks and balances of the constitution. If Inkatha were to criticise the elections for not being free and fair, that too would unsettle sentiment. The financial rand's discount to the commercial rand, which provides a yardstick of international investors' confidence, widened to 38 per cent earlier this month when Inkatha threatened not to take part in the elections. It has since narrowed to 23 per cent but similar instability might ensue if any of the leading economic figures were

moved aside. When misty eyes clear, South Afri-can markets will at least be partly underpinned by economic fundamentals. The economy seems poised to enjoy a virtuous circle of increased domestic and international investment combined with an upswing in the commodity cycle. Economic growth may reach 3 per cent this year, doubling in the following year. But the chief worry concerns capacity constraints. South Africa's productive asset hase has been worn down by years of autarky. That could produce an npsurge in inflation if demand proves too strong.

#### European telecoms

The choice of European telecoms stocks has traditionally been so restricted that last week's enthusiasm for the Tele Danmark flotation is hardly surprising. Not only was the \$3bn international offering four times oversubscribed but the shares immediately went to a 7 per cent premium. Investors, who have in the past had limited chance to buy telecoms stocks because most are still state-owned, understandably wanted to pile into the Tele Danmark issue.

But with a flood of other European telecoms offerings due over the next few years, repeat performances cannot be guaranteed. Holland's KPN is next in line, with its marketing campaign due to begin this week. Italy's STET,



Greece's OTE and Germany's Deutsche Telekom are expected to follow in quick succession. The Portuguese and Belgian phone companies may not be far behind.

With such an abundance of stocks to choose from, investors are bound to become more discriminating. But how are they to decide which offer the best value? Yield comparisons are too crude: Tele Danmark's yield is lower than both BT's and the sverage of the US Baby Bells, but it has much greater scope to rationalise its operations and so increase dividends. European investors are new to the art of making valuation comparisons between telecom stocks. Their US counterparts are more familiar with the techniques which involve looking at a wide range of yardsticks. US shareholders snapped np a high 41 per cent of the Tele Danmark issue. That looks like smart money spotting a good opportunity.

#### Eurotunnel

This Friday the sun will shine, the bands will play and the Queen and President Mitterrand will open the Channel tunnel. Eurotunnel's shareholders will be mightily relieved, although they will soon be tapped for yet more funds to stave off bank. ruptcy. The jaundiced would say that proves it never pays to use equity finance to fund massive infrastructure projects. Most UK institutional investors baled out long ago.
But investors will increasingly have

to bend their minds to the discounted cash flow investment models employed by Eurotunnel. Debt-laden governments around the world are considering how to entice private sector finance into infrastructure projects, Corporate financiers are aiready

chattering about the second wave of privatisation as public projects are transferred to the private sector.

in the UK, the private finance working party, chaired by Sir Akasair Morton, should play an important role in leading the debate. The fundamental challenge is to change the Treasury's culture to permit a more attractive balance of risk and reward for commercial investors. The government may bave an important part to play in minimising risks and injecting seed corn funds before a project biossoms. Then such projects could develop into ideal investments for fund managers providing a buy-and-forget utility-style asset. It may not be long before they are comparing the investment merits of Thai roads with an investment trust launched to build bospitals in Staf-

#### Small Companies

Ever since it announced the closure of the Unlisted Securities Market, the Stock Exchange has been in a bind. On the one hand it remains unconvinced that there is sufficient demand to support a separate market for smaller company shares. Yet it is also afraid of fragmentation. Threats hy outsiders to set up a market of their own have been enough to spur Mr Michael Lawrence, the exchange's new chief executive, to action.

The plan to build on the success of rule 535.2 - under which the shares of 236 companies are now traded - is sensible enough. But tighter regulations will be required to satisfy European law and attract institutional investors, on whom the liquidity of the new market will depend, It is far from clear that the exchange will be able to find a formula tough enough to satisfy institutions without re-invent-ing the USM. Since it is keen to avoid that trap, a lightly-regulated market of only limited interest to institutional investors is the likely outcome.

The proponents of a separate market may thus be tempted to press ahead with their own plans, on the grounds that a more heavily-regulated market tailored for smaller companies could be made to work under vigorous independent management. But institutional interest is highly cyclical. NAS-DAQ, the successful US smaller companies exchange, can draw on a far deeper pool of retail investors. The eventual solution may be a pan-Euro-pean market on the NASDAQ model. For the time being, all sides are trying to make the best of a bad job.

# Without us, experiments in space wouldn't be improving life on earth.

Microminiaturisation technology, derived from experiments in space, has helped to develop a revolutionary system that may soon free diabetics from the daily burden of insulin injections.

Iohn Crane Belfab and MiniMed Technologies have designed and produced a miniature titanium pump which is implanted in the abdomen. Using a hand-held radio controller, the diabetic can signal to a tiny radio and computer inside the pump to release the correct dosage of insulin into the body. The pump has received full market approval in France and should be available throughout Europe by the end of the year.

John Crane is one of TI Group's three specialised engineering businesses, the others being Bundy and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



WORLD LEADERSHIP IN SPECIALISED ENGINEERING

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### **Europe today**

A low pressure area near ireland will draw cool and rather unstable air Inland from the outbreaks of rain in the UK and northern France. A high pressure area over southern Scandinavia will promote dry conditions in Sweden, Norway, Finland and central Europe, where temperatures will be near or slightly above normal.

Occasional showers will linger in the southern parts of Greece, while the Balkan states will remain dry and quite sunny. experience scattered thundery show Warm conditions will continue over the Southern Spain will reach 30C once more, but sea breezes will cool the coastal areas.

#### **Five-day forecast**

Decressions over the Atlantic will increase their influence over the UK, the Low Countries and France until Friday, Southern Europe will remain mostly dry and sunny as will Sweden and Finland. Central Europe though it will be dry at the weekend. Eastern Europe will continue to be

TODAY'S TEMPERATUR



Lufthansa

German Airlines

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THE FINANCIAL TIMES LIMITED 1994

# reveals a City secret

Lazard Brothers has been forced to tell one of the last great City of London secrets, which is precisely how much capital this most discreet merchant bank has in its hidden reserves and how much profit

accounts filed at Companies House is the disclosure that it has £34.75m (\$50.66m) in hid-den reserves and total share-holders' funds of £163m. Pretax profits in 1993 were £40m.

the greatest reluctance, because an amendment to the UK Companies Act this year required all British banks to end the practice of making undisclosed transfers to secret inner reserves to disguise true profits and capital.

Most banks dispensed with the practice years ago, but Lazard's coyness in revealing all was probably prompted by a concern that outsiders might be disappointed by what they would see. Its assets are far smaller than British rivals SG Warburg and Schroders and tiny compared with Goldman Sachs of the US-

Warburg had shareholder funds of £889.4m at the year end of March, 1993, and reported pre-tax profits of £148.2m. Schroders had shareholder funds of £674.5m at the end of 1993, and reported pre-

on assets has normally been above average and last year 24 directors and executives earned more than £280,000 each. The chairman, Mr David Verey, received £812,000 in

Lazard is part of an international partnership consisting of the more profitable Lazard Freres in New York together with the original Parisian bank, neither of which disclose figures. Pearson, owner of the Financial Times, has an interest in all three siblings.

# UK bank IBM to shake up its PC division

which is facing intense competition. The changes come at a critical time for IBM's PC business, where sales rose 40 per cent last year to achieve a 12 per

cent share of the worldwide market, according to market analysts, However IBM is believed to have lost ground to Compaq Computer in the first quarter.
Mr Robert Corrigan, president of IBM
PC, who led a restructuring of the PC

gence in sales, will retire. His responsibilities for running IBM Personal Computer go to Mr Richard Thoman, s former Nabisco International and American Express marketing

formerly worked at RJR Nabisco and American Express. Mr Thoman will now be responsible

developing a generation of PCs based on IBM's microprocessor technology; and IBM's printer divisions.

In other management changes, IBM assigned worldwide responsibilities to senior executives for marketing product development and finance. Previously, these duties had been divided along geographic lines.

company, to general manager of the

Capital (%)

. 3.4

52,

12.5

40.2

to stay on to assist Mr Thoman in the management transition.

Mr Thoman, who has no prior technology experience, is expected to bring a more consumer-focused approach to BM's PC business. By taking direct responsibility for the PC operations, and effectively eliminating a layer of management, Mr Thoman has also created a direct link between the erstwhile "independent" IBM PC company and IBM's central corporate executive committee, which is responsible for corpo-

family's basic industry bias,

through investments in for-

estry, engineering and so on,

towards high-growth areas.

Investor's purchase of a 25 per cent stake in TV4. Sweden's

only commercial terrestrial

television channel, is another

More acquisitive moves will

follow, but they will be accom-

panied by further streamlining as the Wallenbergs respond to

intensified competitive pres-

sures across their empire. The

and the need to supply capital

to them, will almost certainly

force them to be more selec-

tive. They are, however, in

much better shape to meet the

challenge with many of their

companies benefiting from

restructuring and the weaker

krona and with dividends flow-

ing into Investor again on the

The question remains, can it

be healthy for Sweden to have

one family so dominating the

corporate landscape? One com-

mentator has suggested "plu-

ralism in Swedish industry is

back of corporate profitability.

sheer range of their busines

example of this trend.

### Worry over Asian securities markets

By Alexander Nicoll,

The World Rank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development. Mr Gautam S. Kaji, vice

president for East Asia and the Pacific, said the region's economic growth was taking place from a low income level and that financial markets lacked basic infrastructure and regulatory structures. They could only absorb limited amounts of money for the

"Private markets in developing countries are by no means perfect," he told a Financial Times conference in London on Asian capital markets.

"Information is imperfectly and unevenly available, and a market failure in this regard can have the most serious con-sequences, as the debt crisis taught us all."

He expressed particular concern about the use of structured financing and derivatives in Asia's volatile financial markets, in advance of development of national prudential and legal frame-"It frankly worries me to see

people pushing bigh-tech derivatives in markets that lack even well-developed Treasury bill trading." The World Bank supported

the privatisation programmes of Asian countries, including stock market placements. But Mr Kaji noted that "in a number of these countries, the capital markets are not deep enough to absorb many new placements."

These markets still lack instruments and experience, not to mention basic accounting conventions and disclosure

Mr Kaji acknowledged however that privatisation issues also helped to deepen and develop stock markets. He urged governments to hasten the development of capital markets especially because they will be needed to help fund massive investment in physical infrastructure to keep pace with rapid economic Emerging markets, Page 24

**Markets** this week Starting on page 21

BRONWEN MADDOX:

GLOBAL INVESTOR The only survival game at enjoyable one – is to dig hard for the few surprises in future earnings growth that

remain. Page 21



and news of corporate losse But sophisticated financial techniques can yield economic benefits, especially for commodity exporting countries which can protect their economies from wild price movements. Page 21

After last year's effortless run, the Bank of England may find selling gilts to fund the IIK's public sector borrowing requirement more challenging this year.

Equities: Market strategists are asking why, at a time of rising dividends, UK equities cannot separate themselves from the troubled bond markets. Page 23

Emerging markets: Does the downward correction in Asian markets during the first quarter mean a hasty end to foreign investors' enthusiasm for them? Almost certainly not.

Currencies: This week could see battle joined between the foreign exchange market and the US Treasury. The dollar will be the focus of attention.

#### STATISTICS

Dividend payments FT-A World Indices FT Guide to currencies Foreign exchanges ... London recent issues London share service ... Managed fund service ... 31-34 Money markets ... New int bond issues .... World stock mkt indices ..... 29

#### By Louise Kehoe in San Francisco International Business Machines is to change the senior management of its \$11bn personal computer business

By Robert Peston in London

it makes.
Buried in a footnote to

It has lifted the veil, with

tax profits of £195.8m. However the Lexard return

The UK government enacted the bank accounting reform in anticipation of a change in European Community law. However, to Lazard's great irritation, this BC reform has not materialised. As a result, its continental peers, including Lazard in Paris, can still disguise their profits.

executive who joined IBM last year. Mr Thoman's career moves have followed those of Mr Lou Gerstner, IBM's new chairman and chief executive, who also

for the IBM PC company; the Power Personal Systems division, which is

The Wallenberg Influence

IBM also announced the appointment of Mr Anthony Santelli, formerly head of product development for the IBM PC

Power Personal Systems division. IBM said Mr Corrigan had decided to

Votes (%)

38.9

37.6

20.9

31.9

10.2 400 47

32.8 . 8.9

\*\*12.0 \*\*\* 43.6

27

24.7

1,5

Christopher Brown-Humes analyses the power of the Wallenberg empire

# Keeping Sweden in the family

f anyone thought the Wal-lenberg family's grip on corporate Sweden might have been weakened by the country's deepest recession since the 1930s, last week they learned otherwise. The country's most famous industrial dynasty signalled it was back on the offensive when Incentive, one of its key companies launched a \$1bn (SKr8.4bn) bid for the investment group Cardo. A successful strike would give it control of Gambro, a medical equipment specialist and one of Sweden's fastest growing companies.

The impact of this spectacular Wallenberg foray, after several quiet years, has been accentuated by the refocusing strategy just unveiled at Volvo. Swaden's leading industrial group. Volvo has ahandoned the empire-building strategy of its former chairman Pehr Gyllenhammar. It no longer makes any pretence to being a counterweight to Wallenberg influence, as it was in the 1980s when the two titans were at each other's throats in their drive for corporate dominance.

more dominant position today than they have ever been," says one close observer of the family's activities. No doubt it will have given

"The Wallenbergs are rela-

tively speaking in a much

Peter Wallenberg, dynasty patriarch, considerable satisfaction that the Cardo bid came after Incentive had first snapped up a 44 per cent stake in the group from Volvo. Volvo used to be one of the few Swedish multinationals from which Wallenberg influence was excluded. Even that changed earlier this year with the appointment of two Wallenberg men to the Volvo board including its chairman - fol-

Management of the Control of the Con Asea 25.0 16.7 162 37.9 Atlas Copco 16.5 Electron 6A S2A 43,8 427 48 28.7 incentive investor 24.2 OM Gruppen 20.9 80 199 SE Banken SKF 14.1 224 164 272 93. Peter Wallenberg

lowing Mr Gyllenhammar's resignation last December. Today the only grouping that

provides any sort of counterweight to the Wallenbergs is Svenska Handelsbanken, hich through Industrivärden has hig stakes in telecommunications giant Ericsson, forestry concern SCA and Aga, the industrial gas group. However, Handelsbanken's influence is modest by comparison. The scale of the Wallenberg

empire is clear from the large number of Swedish blue-chips either directly controlled or influenced. One estimate suggests the family controls as much as 40 per cent of the Stockholm stockmarket or companies with total annual sales of SKr450bn.

This strength is entrenched

in a two-class share system which gives one class much bigger voting powers than the other. Hence Wallenberg companies can control 94.1 per cent of Electrolux, Europe's leading maker of white goods, with only 6.4 per cent of the capital. By contrast, foreigners, who have been hige buyers of Swedish shares in the last two years, gain only 2 per cent of the votes in Electrolux with

32.4 per cent of the capital. The Wallenbergs have shrugged off the Swedish recession and financial sector crisis much more quickly than anybody expected a year ago. In early 1993 Investor, the flagship bolding company, was saddled with huge debts and losses within Saab-Scania, its wholly-owned automotive and

aerospace unit. Many analysts felt a big sale would be needed - possibly the company's stake in high-flying pharmaceutical group Astra - to restore its battered balance sheet.

Source: 'Owners and Power In Sweden's

Listed Companies' by Sven-Ivan Sindqvist

The dig sale never material ised. Debts were driven down sharply, but through a series of smaller disposals, which did very little to erode the group's overall voting power. At tha year-end investor's net debt had fallen to SKr4.85bn from SKr8.7bn. Further strengthening of the balance sheet came in March when the group launched a SKr3.45bn bid for its stablemate Export-Invest in what was essentially a giant

share issue. Incentive's strike for Gambro emphasises a new Wallenberg strategy. It aims to shift the

disappearing and that will influence corporate culture and leadership style". Surprisingly, perhaps, Wal-

lenberg influence does not still much controversy because the family is widely admired for perspective. It is also respected for having avoided the specula-tive financial investments that characterised Sweden's bubble economy in the late 1980s. More recently, perhaps, a third factor has come into play. With foreigners owning 25 per cent of Swedish shares - more than donble the level of two years ago - the Wallenbergs are seen as a stronghold against a foreign takeover of corporate Sweden.

### Close-to-home markets vital to upward trend

This week: Company news

Signs of hesitant recovery in Europe should allow Philips, the Dutch electronics group, to report a rise in first-quarter net profit when it publishes its figures for early 1994 tomorrow

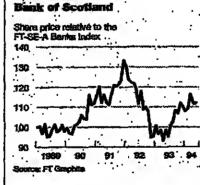
Philips' strong performance in 1993, achieved despite continued economic veakness in Europe, was due mainly to higher operating results in North America and Asia. But the company's ability to extend the upward trend in earnings still depends on the recovery of markets close to home.

especially recession-hit Germany. The first-quarter improvement is expected to rest on a combination of increased demand in some businesses and continued successes in bringing down financing charges through further reductions in group debt.

The rise will also be aided by the fact that the 1998 first quarter had been relatively weak, with net profit declining to F1108m (\$54m) from F1162m in 1992. Some analysts say an increase to F1200m or more should be possible for the 1994 first quarter, though much will depend on the company's performance in Germany, Grundig, the German consumer electronics manufacturer controlled by Philips, is expected to have remained firmly in the red. At the same time, lower investment in telecommunications in Germany will also probably have continued to plague Philips in early

The better than expected 1993 results, announced in March, have helped propel the company's shares above F155 for the first time since 1987.

The financial markets' confidence in Philips has also been boosted by the company's decision to pay a small dividend for the first time since it embarked on radical restructuring in 1990. This should make it easier for Mr Jan Timmer, president, to face shareholders at the annual general meeting in Eindhoven on Thursday.



#### BANK OF SCOTLAND Mortgage operation should boost revival

This week should see the revival of the Bank of Scotland, whose good reputation slipped slightly last year when it announced an 11 per cent fall in pre-tax profits. The results for the year to February 28 on Thursday are expected to reflect both a fall in provisions for bad and doubtful debts

and an increase in pre-provision profits. Most analysts expect pre-tax profits to rise to £250m-270m, and forecasts extend up to £285m (\$416m). They are sharply up on the equivalent for the previous year of £125.3m.

Last year's figures included a 45 per cent rise in provisions for bad debts. Apart from the drop in provisions, as a result of a fragile recovery in the housing market, the bank has also had an opportunity to reap a full year's benefits from being able to widen its margins in its sizeable mortgage lending operation. That widening was an element in raising the bank's interim pre-tax profits announced last October by 58 per cent to £117.6m.

mortgage business.
The bank has been one of those identified as considering buying a building society. This would be one way of accelerating its growth, but the bank will not want an acquisition that would threaten its efficiency.

The cost-income ratio reported in the interim results fell to just below 50 per cent, and could fall slightly

further, if it is able to expand its

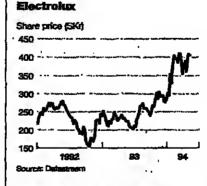
#### OTHER COMPANIES US performance set to boost Electrolux

Electrolux, Europe's leading white goods manufacturer, will show the benefits of a strong US sales performance and a bottoming out in Europe when it presents its first quarter figures on Thursday (May 5). Analysts believe profits could exceed SKr600m (\$76m) for the period, compared with SKr202m last year.

■ Creditanstalt Bankverein: Austria's second largest bank will publish annual results today. These are expected to show a strong growth in earnings for 1993 due to a steep rise in trading activity. The state has a 49 per cent stake in Creditanstalt but over 70 per cent of the vote, and the bank is waiting for the government to decide on its privatisation which is expected

■ BAT Industries: First-quarter figures tomorrow are expected to show a healthy rise from £354m pre-tax to about £385m (\$562m). Despite the much-publicised war on smoking in the US – which BAT defied this week by buying American Tobacco for \$1bn - its tobacco profits may be around the same as last year. The real profits increase will come from insurance, through further recovery by Eagle Star from its upsets in mortgage indemnity and through real progress at Allied Dunhar in the UK and Farmers in the US.

BP: The UK based international oil company reports its first-quarter results on Thursday. The weak oil price - \$4 a barrel lower - is likely to be counteracted by benefits from



cost-savings, strong downstream margins in the US, lower interest charges and a swing back to profits in chemicals. Pre-tax profits will be about £250m (\$365m), against £231m last time and £315m in the fourth

Stora: Europe's biggest pulp and paper group, is today expected to announce profits of around SKr400m (\$51m) for the first quarter, excluding a big capital gain from the sale of its Tarkett flooring subsidiary. The group has been able to turn round last year's SKr78m loss thanks to firming prices and cost-cutting.

■ Body Shop: Overseas growth, especially in the US, is expected to boost Body Shop International's final results when they are revealed on Thursday. Pre-tax profits are likely to rise from £21.5m to between £25m and £27m (\$39.4m), with UK operating profits a little ahead of last time's £11.2m. The US should pitch in about £4.5m (£2m, though this was affected by the move of the headquarters to North Carolina). The dividend should rise from 1.7p to at least 1.85p.

This announcement appears as a matter of record only

Acquisition of

Dukes Hotel

from Trafalgar House plc



Equity underwritten by

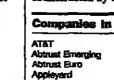
Hambro European Ventures Hambro Group Investments Hambros Unquoted Growth Fund (HUGs)

Acquisition and restructuring of Franklin Hotels arranged by



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Regional	18	MTV

Montedisor Remus Star Mining

## Rowntree shuffles | Retail pension fund team

By Norma Cohen,

Nestlé Rowntree, the UK arm of the international food group, has dropped the three external fund managers of its pension fund and consolidated management of the £1.3bn scheme with its in-house investment

The external managers were Mercury Asset Management, which had the single largest portion, PDFM and Barings nvestment Management. The fund, one of the 50th largest in the UK. will be looking, however, for an external manager for its investments on the Pacific Rim and Japan.

Mr Gordon Thomson, Nestlé Rowntree investment manager, said that following a review the company found that the in-house team had outperformed the combined external managers over

the past six years. He added that the company also wanted to have greater control over asset allocation, deciding what proportion of the scheme should be invested in which assets. New minimum soivency

requirements were likely to require echemes with large numbers of current or deferred pensioners to invest a greater proportion of their assets in fixed-interest securities. Mr Thomson said Nestlé Rowntree had not yet decided whether it needed to restructure its asset mix but would be meeting its actuaries this week to consider the matter.

Mr Thomson said the review followed a consolidation of the Nestlé and Rowntree pension schemes, which had been run separately since Nestlé's takeover of Royntree with the latter retaining its own internal fund management team.

#### Northern Leisure healthcare sale

TARGET

NK

Unit of Northern

Canteen Corp (US)

Colowyo Coal Co (US)

SAS Leisura

Wellworth (UK)

Vidrios Linquen (Chile)

Kanebo-NSC

GF Denton (UK)

Northern Leisure, which has been trying to dispose of Real-Care, its nursing homes business, since 1992, yesterday announced plans to sell tt to Midland Assets for £1.9m cash. Midland is a new company chaired by Mr Nicholas Oppenheim, who is also vice-chairman of Northern, It intends to

raise £2.4m via a placing and

BIDDER/INVESTOR

**BAT Industries (UIQ** 

Compass Group (UK)

GE Capital (US)

Ageo (US)

RTZ Corp (UK)

Airtours (UK)

Fitzwilton (Ireland)

Vasa (Argentina)

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intermediaries offer of 17m shares at 14p apiece. Thereaf-ter it will seek a full listing. Mr Oppenheim said Real-Care, which made pre-tax profits of £212,000 in the year to August 31, had four nursing homes. He added that a "relatively modest" additional capital expenditure would improve its profitability.

CROSS BORDER M&A DEALS

SECTOR

Financial serv-

Agricultural

Food retailing

Adhesives &

T. T. O.
investors
shun biotech
trust launch

Retail investors have largely spurned the opportunity to acquire shares in International Biotechnology Trust, recently launched by Rothschild Asset Management. They have applied for 2.67m shares (with warrants) out of about 25m on offer in the pub-

lic offer for subscriptions, which closed on April 29. The disappointing level of applications reflects, and fol-lows hard on the heels of, the applications by institutional and other investors. Here,

some £35.1m was raised — less than half the targeted amount. The public element represented about one quarter of the £100m that RAM and Robert Fleming, the sponsor, had originally hoped to raise from the trust's launch. In total only £37.7m was raised.

However, Mr Jeremy Curnock Cook, a RAM director team, remained bullish, saying: "Against a background of difficult market conditions, the total sum raised . . . is satisfactory for a specialist fund . . . and I am confident

our timing is excellent."

The trust is to focus on the flurry of recently floated biotech companies, most of which are trading at a discount to their issue price.

COMMENT

Confirming

commitme

Debt reduction

Forced sale

by Flagstar

Cash + paper deal

Developing coal

Move into new

Pflkington/St Gobein JV move

Buying out Kanebo

Expending UK

to 87%

hobacco

VALUE

£410m

£226m

£160m

£45.9m

Chesterton Intl flotation				
shows val	uation of a	£50m		
By Simon Davies Chesterion International, oce	acquisitions through surip.  Chesterton has acquired 23 property consultancies in the	should also be a source of growth.  The commany has a broad cli-		

Chesterton International, oce of the UK's leading property consultancies, is to be floated on the stock market in early summer with a value of more than £50m. It is expected to become the

UR's largest listed property

The company will issue a small number of new shares, but the majority of the expected £25m placing will come from outside shareholders primarily former employees who own 33 per cent of the company; assuming they are

prepared to sell.

Chesterton made pre-tax profits of £3.9m in the year to June 1993, but brokers suggest that profits will comfortably exceed £5m in the current Mr William Wells, chairman.

said the flotation was a logical move for a company which has encouraged employee owner-ship of its shares, and which had also funded the bulk of its property consultancies in the UK since 1985 and around 50 per cent of its UK earnings came from outside London last year. The company was founded in 1805, but its current shape stems primarily from 1986, when it sold its substantial residential estate egency business to the Prudential for

a very nice price". Mr Wells said the company had "taken the view that you either had to be a small niche business, or a large international player". It opted for the latter.

Last year, around 70 per cent of its turnover came from a broad range of professional advisory fees. The remainder came from brokerage fees, an area which should pick up sharply with the increasing activity in the commercial property market.

Mr Wells said Chesterton had invested £7m in building The flotation is sponsored by Robert Fleming, and Société up its international network in the past few years, and this Générale Strauss Turnbuil Securities are brokers

**NEWS DIGEST** March amounted to £180,538, Australian sugar company owned by Tate & Lyle, to equal to basic earnings of

ent list ranging from Marks and Spencer to the Crown and Church. The latter has dimin-

ished in importance since the

\$200m decline in the Church's

income producing assets to

£2.16bn, mainly because of speculative property losses. Chesterton has been cleared of

The timing of the flotation should be good. The only other large listed property consul-

tancy, Debenham Tewson &

Chinnocks, trades on a p/e ratio of 25, reflecting antict-

pated earnings growth as the property market recovers. However, with only 26m of

shareholders' funds, Chester-

ton'e assets, as the cliché has

it, are its employees. The com-pany needs to show that these assets will not sell their shares

responsibility.

crushing mills, have been allowed to lapse. This follows a vote earlier this month by shareholders in the South Johnstone Mill who voted against the lifting of the restriction which limits the number of shares which any single investor can hold.

acquire two north Queensland

Bundaberg holds a 2.7 per cent stake in South Johnstone the smaller of the two - but lacks even a small holding in the other, Tully Sugar.

#### Lendu loss

Lendu Holdings, the Kentbased group involved in irrigated and dryland cotton, cereal and beef cattle production in Queensland, incurred pre-losses of £126,000 for the six months ended December 31.

Exceptional gains of £898,000 together with contributions from a now discontinued activity lifted profits in the corresponding half year to £953,000.

Appleyard buys

#### My Kinda Town heads for the City with £24m price tag 1993, and is forecast to make By Simon Davies

The Chicago Pizza Pie Factory and Henry J Beans are coming to the City, through the flota-tion of the restaurant owner and operator My Kinda Town, which will have an initial market capitalisation of

Around 90 per of the com-pany is to be sold off through a placing, and subsequent rights tosne, and the directors will retain 10 per

The initial venture capitalists have been bought ont. MKT was formed in 1977 with the opening of The Chicago Pizza Pie Factory by the colourful American entrepreneur Mr Bob Payton.

It was followed by the Chi-cago Rih Shack, Henry J Beans, Chicago Meatpackers, Tacos and Salsal

MRT made pre-tax profits of £1.59m in the year to June

Clover Leaf Cars, a Hampshire

based car dealer, for £9.75m

The company has eight deal-

erships and in the year to March 31 1993 reported pre-tax

profits of £400,000 on turnover

of £42.6m. Net assets at the end

Appleyard reported that the

with much improved profits.

The after market remained

firm and used car demand was

Capital and Regional Proper-

ties has acquired a 24.9 per

cent stake in Lanham, a

specialist retail warehouse

and food superstore devel-

As part of the deal Capital

has subscribed to a convertible

loan stock and has provided a

working capital facility, mak-

ing a total investment of

Cap and Regional

sent year had started well

of the period were £7.1m.

adjusted pre-tax profits of at least £1.9m this year. The company will have to make a deferred payment of £100,000 to management shareholders if profits exceed £3m in 1995. MKT has expanded aggressively into Europe, and only 39

per cent of last year's sales were derived from the

stantial network of franchisees, which should account for 20 per cent of profits this It plans to open five new res-

taurants this year, three in Germany, one in Paris and one in the UK. It currently owns 29 restaurants. The shares are being issued

at 10p and trading will commence on May 9. The issue is sponsored by Hill Samnel and Credit Lyonwith Laing acting as bro-

#### Arcon cleared to develop mine

By Tim Coone in Dublin

Arcon, the Irish exploration company in which Mr Tony O'Reilly, the chief executive of the Heinz food group, holds a 23 per cent stake, has received final planning permission to develop its 6.2m tonne zinc/ lead ore deposit at Galmoy in Ireland.

Once brought into production at an estimated development cost of some Ig65m (£63m), the mine is anticipated to be one of the lowest-cost zinc mines in the world due to the proximity of the ore to the surface, and will rank alongside Europe's largest.

137 14

The reserves have an overage grade of 11.31 per cent zinc and 1.12 per cent lead, and will be extracted over a 10-year

period. The directors expect construction work to begin this August or September, and for the mine to come into production in early 1996. Debt financing was being put in place but a rights issue was not ruled out to finance part of the devel-

#### Moran in profit with £0.79m

Holdinge, Moran USM-traded tea producer, freight forwarder and property developer which came out of administration in July, reported pre-tax profits of £789,000 for the six months to December 31, against losses of

Turnover advanced from £21.9m to £26.7m. Earnings per share were 2.9p (losses 19.01p).

#### Abtrust Emerging Undiluted net asset value per

ordinary share of Abtrust Emerging Economies Investment Trust, launched by Abtrust Fund Managers last October, stood at 98.06p at March 31. That was an improvement

from the 95.92p after expenses at the launch. Available revenue for the period from September 24, the date of incorporation, to end-

#### Abtrust Euro Undiloted net asset value per

est of £257,000 (£405,000).

against £22.3m.

Ramus losses up

For the half year ended Decam-

ber 31 1993 Ramus Holdings,

the USM-traded ceramic wall

and floor tile subsidiary of

Hong Leong Group of Malay-sia, suffered pre-tax losses of

£2.6m, compared with £1.7m,

from turnover down at £17.3m

Losses included £1.5m ration-

alisation costs, but lower inter-

share of Abtrust European Index Investment Trust, excluding revenue reserves, rose from 77.5p to 91.2p over the year ended February 28 1994. Earnings were 0.7p (0.53p)

per share from an available amount of £238,836 (£182,040), while the final, single dividend is increased to 0.8p (0.3p).

Tate & Lyle The A\$121m (£58m) cash offers made by Bundaberg Sugar, the

# Appleyard Group, the motor vehicle supplier, has acquired

provide Lanham with a mezzanine loan facility of up to £3m in order that Lanham may retain a number of developments as invest-

£400,000.

Capital has also agreed to opment cost.

#### NOTICE OF REDEMPTION U.S. \$100,000,000 DEBARTOLO CAPITAL CORPORATION

**GUARANTEED BY** THE MITSUBISHI TRUST AND BANKING CORPORATION

9X% GUARANTEED NOTES DUE 1996

NOTICE IS HEREBY GIVEN, in accordance with Condition 6(B) of the Trust Deed dated 26th March, 1986 between DEBARTOLO CAPITAL CORPORATION ("DCC") and THE LAW DEBENTURE TRUST CORPORATION P.L.C., that DCC has elected to redeem all of its 9%6 Guaranteed Notes due 1996 (the "Notes") on June 5, 1994 (the "Redemption Date") at a Redemption Price equal to 101% of the outstanding principal amount thereof, together with interest accrued thereon to (but excluding) the Redemption Date.

Bearer Notes called for redemption must be presented and Bearer Notes called for retemption mass of profite surrendered for payment at the specified office of any of the Paying Agents listed below. Each Bearer Note should be presented for nament together with all unmatured Coupons appertaining thereto. payment together with all unmatured Coupons appertaining thereto, failing which the full amount of any missing Coupon will be deducted from the sum due for payment.

Registered Notes called for redemption must be presented and surrendered for payment at the specified office of the Transfer Agent or of the Registrar listed below. Notes and Coupons will become vold unless presented for payment

within periods of 10 year and 5 years, respectively, from the relevant dates for payment thereof. PRINCIPAL PAYING AGENT Chemical Bank 125 London Wall

PAYING AGENTS Chemical Bank Freigutstrasse 16 CH-8039 Zurich

Kredietbank N.V. Brussek

Chemical: Tour Gan 16 Place de l'Iris 92062, La Defense 3 Paris, France Chemical Bank

Arenbergstraat 7, B-1000 P.O. Box 17 41 26 Frankfurt, German Banque Internationale à Luxembourg S.A. 2 Boulevard Royal, L-2963 Luxembourg TRANSFER AGENT e Internationale à Luxembourg S.A. 2 Boulevard Royal, L-2953

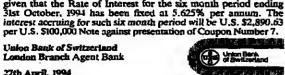
REGISTRAR Chemical Bank 55 Water Street York, New York 10041 May 4, 1994 DEBARTOLO CAPITAL CORPORATION

Espirito Santo Financial Holding S.A. U.S. \$100.000.000 Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby

ven that the Rate of Interest for the six month period ending

Union Bank of Switzerland London Branch Agent Bank 27th April, 1994



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Mortgage Funding Corporation No.4 PLC Incorporated in Employed and ries with lamited Mahility under red member 2133465)

> Dual-Class Mortgage Backed Floating Rate Notes Due 2035

Class A-1 £100,000,000 Class A-2 £100,000,000

For the inverest period 29th 1994 to 29th July, 1994 the Class A-1 notes will bear interest at 5.60% per ocar interest at 3.00% per annum. Interest payable on 29th July, 1994 will amount to £383.95 per £27,500 note. The Class A-2 notes will bear interest of 5.30% per annum. Interest payable on 29th July, 1994 will amount to July, 1994 will amount to £1,446.03 per £100,000 note.

NOMURA ASIAN INFRASTRUCTURE FUND SICAV 6, avenue Emile Reuter LUXEMBOURG R.C. Lenembourg B34248

Notice is bareby given to the shareholders, that the ANNUAL GENERAL MEETING of shareholders of NOMURA ASIAN INFRASTRUCTURE FUND Will be held at

the registered office on Friday 6th May 1994, at 10:00 a.m. with the following Submission of the reports of the board of directors and of the sudhor.

Approval of the statumi accounts and of the statement of operations as at December 31st, 1993 appropriation of the

Discharge of the directors.

The shareholders are advised that no or in required for the issues on the agenda of the annual general meeting and that decisions will be taken on simple majority of the shareh present or represented of the meeting.

Is order so attend the traceting of NOMURA ASIAN INFRASTRUCTURE FUND SICAV the owners of bearer shares will have no deposit their shares five clear days before the meeting at the registered office of the company or with NOMURA BANK (LUXEMBOURG) S.A. 6 avenue Rmile Roots.

The Board of Directors

Equitable Capital DHO Ltd. Note Interest Rate Resets

Note Interest Rate Resets

Pursuant to the Indenture dated as of October 1, 1990, between the Issuer and State Street Bank and Trust Company as Trustae, notice is hereby given that for the Interest Accrual Period April 29, 1994 to October 30, 1994, the Note Interest Rate applicable to the Senton Notes is 5.4250%, and to the Senton Notes is 5.4250% and to the Senton Note interest payable per \$1,000,000 principal amount of a Senton Note on October 31, 1994 will be \$27,878,47 and note \$1,000,000 orincipal amount of opinional amount October 31, 1994 will be \$27,878.47 and per \$1,000,000 principal amount of a Second Priority Senior Note will be \$23,760.42

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> NOTICE OF PARTIAL REDEMPTION TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC \$100,000,000 MORTGAGE BACKED FLOATING RATE NOTES DUR 2014

Notice is hereby given that in accordance with Conditions 5(b) and 18 of the Notes, the Issuer hereby gives notice to redeem \$800,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being, 8 June 1994, and the Notes will be redeemed at their principal amount plus accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 8 June 1994, the redeemed Notes will cease to accrue interest.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless ented for payment within ten years of the redemption date.

The nominal amount that will be outstanding after the Notes listed below have been redeemed is \$24,800,000.00. The Serial Numbers drawn for mandatory redemption are a

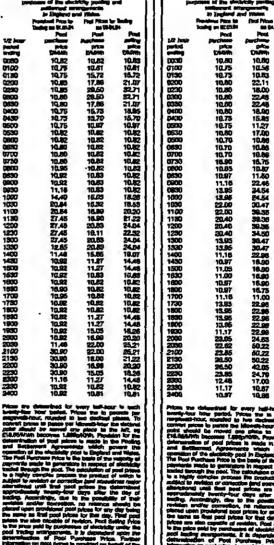
> 203 610 380 465 743 872 542 **CHEMICAL** Principal Paying Agent Deres May 1804

Union Bank of Norway U.S. \$27,000,000

Subordinated Floating Rate Notes due 2002 In accordance with the provisions of the Notes, notice is hereby given that the Rate of interest for the three month period ending 29th July, 1994 has been fixed at 6.05% per annum. The interest accruing for such three month period will be U.S. \$7.646.53 per U.S. \$500,000 Note against presentation of Coupon Number 8.

27th April, 1994





Francisco in Theirs and Color in Their in Color in Their in Color in Their in Color i 27 house period period

WOOLWICH Building Society -

\$200,000,000 Floating rate notes

Natice is hereby given that the notes will bear interest at 5.35% per annum from 28 April 1994 to 28 July 1994. Interest 1994 to 28 July 1994 will payable on 28 July 1994 will prount to \$133,38 per \$10,000 ore and \$1,333,84 pe

Agent: Morgan Guaranty **JPMorgan** 

ENTE NAZIONALE PER L'ENERGIA ELETTRICA S.p.A. LIT 500,000,000,000 FLOATING RATE NOTES DUE 2000 In accordance with the provisions of the Notes, notice is hereby

Interest payment date: Interest rate: Coupon amounts:

28th April 1994 to 28th October 1994 28th October 1994 7.6875% per annum LIT 195,391 per Nate of LIT 5,000.000

Agent Beni BANQUE INTERNATIONALE BILLING A LUXEMBOURG

ARTIFICIAL INTELLIGENCE PUTURES TRADING "INTELLIGENT TECHNICAL SYSTEMS"
LEADING CONSULTANTS.

given as follows:

LIT 1,953,906 per Note of LIT 50,000,000

said h Zameti "The nity hi import tions o capital The by Mr special Nikifor seniai nian S forces

By Louise Lucas in Hong Kong and Martin Dickson

MTV Networks, the US-based

pop music television program-

ming company, is to launch

two wholly-owned channels for

the Asian market in the fourth

quarter of this year, ending its

relationship with Star TV, the

Astan satellite television com-

pany controlled by Rupert Murdoch's News Corporation.

MTV, a subsidiary of enter-

tainment group Viacom, began

broadcasting in Asia in 1991 over the Star TV network with

a freely available pan-regional

Earnings to

rise by 10%

Henkel the German chemicals

and consumer products group.

expects pre-tax earnings to

increase by more than 10 per

cent this year following a 3 per cent rise in the first quarter.

Such an increase was possi-

ble even though the costs of

restructuring in the current

period could not yet be accurately forecast, Mr Hans-Diet-

rich Winkhaus, chairman, said.

decline in turnover in the first

three months, the company based its optimism on its bal-

anced product portfolio and

Meanwhile, there had been

geographical spread.

Reporting a 1 per cent

at Henkel

By Christopher Parkes

in Frankfurt

English-language service.

in New York

# ly Ton Course in Dubin

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establish to the Carlo ast Herrich 3 Lauren 11 1

> few signs of a convincing recovery in Europe, particularly in consumer goods. Turnover and earnings in chemicals and special chemicals had improved, while the detergents businesa had become more difficult partly because of reduced consumer spending power. Previously-announced plans

> for the loss of 1,000 German jobs would go ahead, as would the progressive closure of five factories and other sites. Restructuring costs this year

would be markedly lower than in 1993, the chairman said. The main current project, a DM20m (\$11.6m) investment in a 70 per cent stake in a chemicals joint venture in Shanghai. is on the verge of completion.

#### Its advertiser-supported independent service will be launched on the Apstar One eatellite, giving access to 18 countries, and will move to the more powerful Apstar Two, to be launched next year, which

will expand its access to 30 countries. an English language one directed at young people in south Asia, the Philippines and other countries. The second will be Mandarin language service, encrypted so viewers will require a decoder to receive

By Nikki Tait in Sydney

plan to go ahead.

go ahead tomorrow.

By Nikki Tait

Star Mining, the small

Australian exploration com-pany, has signed a protocol in Angarsk, Siberia, which it believed protects its interest in

the large Sukhoi Log gold proj-

ect, and paves the way for its US\$250m Russian investment

Star said that "in the light of

these very positive develop-

ments", it expected to release the first US\$5m tranche of cap-

ital to Lenzoloto, the state-con-

trolled Siberian goldminer in

which it holds a minority inter-

est, this week. In Sydney, Mr

Graeme Ellis, a director of

Star, expected the payment to

Star, which holds a one-third

interest in Lenzoloto (some-

times translated as Lena Gold).

has pledged to provide US\$20m

Brash Holdings, the Australian

consumer electronic retailer

and once the nation's largest

specialist stores group, yester-day called in an administrator

after its main bankers - which include ANZ, Westpac and

Société Générale - withdrew their support. Brash's shares

were suspended on the Austra-

lian Stock Exchange at A\$2.26.

ANZ said recent develop-

MTV to end relationship with Star

One of the networks will be programmes, aimed at conntries euch as China, Taiwan and Singapore.

Asian market independently brings the region into line with Europe, the US and Latin America, where the group has also adopted a go-it-alone pol-

Mr Tom Freston, chairman of MTV Network, said: "The Asian marketplace has enormous potential and is still in the early stages of its develop-

Star, which is retaining several of MTV's screen celebrities, will continue to broadcast music with a new service of its own. Programming will split into two versions, one in Mandarin serving China, Taiwan

gold investment to go ahead

of "charter capital" to the Rus-sian joint-stock company.

However, the money has

been in an escrow account in

Moscow while political uncertainties hanging over the

Siberian project were negoti-

ated, and the release of techni-

cal information related to Len-

Bychkov, head of Russia's pre-

cious metals and stones com-

mittee, said foreign companies would be excluded from devel-

oping the Sukhoi Log deposit,

reckoned to be one of the

world'e biggest gold deposits. However, Star said It believed the protocol "will

resolve all outstanding dis-

putes concerning the develop-

ment of the . . . deposit and the

re-registration of mining and

It said it was "expressly

ments in Brash's financial con-

dition, coupled with business

plans presented by the group

last week, failed to provide the

banking group with "sufficient

confidence" for it to renew a

A\$61m (US\$43m) facility. It

added that an independent

assessment of Brash's condi-

The voluntary administra-

tors will be Mr David Beatty

and Mr Michael Humphris

from Arthur Andersen, the

tion was thought desirable.

exploration licences".

Brash calls in administrator

Last year Mr Yevgeny

zoloto was authorised.

and Hong Kong and the other in English covering India, the Middle East and south-east

It says its changes "herald a revolution in music television". But analysts, who are taking an increasingly dim view of Mr Murdoch's \$525m acquisition of 63.6 per cent of the broadcaster last summer, regard it as further evidence that Star is still groping for

ture to China, a market Star is keen to develop.

agreed" that, while the regional irkutsk administra-

tion and the ministry of atomic

energy would participate in the

Sukhoi Log development, "this

would be done in auch a way

that Star retains its present

aharebolding". This amounts to a one-third interest via the

Although Lenzoloto has

operations which produce

around 350,000 ounces of gold a

year as well as other develop-

ment projects, these are dwarfed by the Sukhoi Log potential With the injection of

Star'a US\$250m, the aim is to

raise Lenzoloto's annual pro-

duction to 2m ounces in six

years. About three-quarters

would come from Sukhoi Log.

was likely to seek a secondary

listing on the London Stock

Exchange in "the near future"

accountancy firm. They said yesterday that all options for

Brasb's will be considered,

ranging from a return to nor-

mal operations to a winding up

The company suffered a loss

of around A\$15m (US\$10.7m) in

the year to July 1993, on sales

of around A\$706m. It subsequently pulled out of the loss-

making book retailing business

but still posted a further, and

larger, interim loss last month.

of the company.

Mr Ellis said yesterday Star

Lenzoloto investment.

#### direction. Star is reckoned to be losing around \$60m-\$80m a year. Last month it axed the BBC in what was seen as a sweetener ges

# vices for businesses. Star Mining \$250m Russian

internet", the companies said. Business use of the Internet, 25m users, is rapidly expand-

will address these problems.

Applications will include

the electronic highway on which commerce, business col-laboration, and knowledge sharing will ride," said Mr John Petrillo, president of AT&T's Business Communica-

The advent of public data services will enable business customers to avoid the expense of building and operating their own private inter networks said Mr David Taylor, industry analyst at the Gartner Gronp, a market research firm.

#### AT&T and Novell form alliance in networking By Robert Graham in Rome

By Louise Kehoe in San Francisco

AT&T, the US telecommunications company, and Novell, the leader in computer networking software, have formed an alliance to create worldwide inter- and intracompany communications ser-

The new service, called AT&T NetWare Connect Services, will combine Novell's widely-used local area network software with AT&T's telephone network to form a global network of husiness networks, in effect a "business a global network of computer networks with an estimated

ing. However, concerns about security and the complexity of using the Internet have limited most business use to electronic mail. AT&T said its new service

workgroup collaboration. information retrieval and manipulation, electronic commerce, distributed computing, messaging and fax services. "Our alliance with Novell is a significant step in expanding

tions Services unit.

#### Modo in share issue

MoDo, one of Sweden's leading forestry groups, plans to issue up to 4m new B shares to interpational investors. The company said that the move would raise SKr1.2bn (\$157m) at current prices writes Christopber Brown-Humes in Stock-

# Ferfin and Montedison show operating profits

The clean-up costs of the June 1992 collapse of tha Ferruzzi family's business empire have reached over L2,400bn (\$1.5bn) the biggest write-down of a private group's assets in recent Italian history.

But the industrial interests

hands of banks, which last healthy operating results. company of the group now 55 per cent controlled by foreign which were announced on Friday and those of Montedison. the chief industrial subsidiary,

rear agreed to swap debt for equity, have begun to show This emerged from the 1993 results of Ferruzzi Finanziaria (Ferfin), the listed holding and Italian creditor banks,

The losses are bigger than originally expected but essentially reflect the need by Mr Guido Rossi, the special administrator brought in last year, to write down inflated assets that massaged Ferfin and Montedi-Ferfin's consolidated losses

totalled L2,419hn, against a

formerly controlled by the Fer-1992 deficit of L1,519bn. These ruzzi family and now in the two losses in effect represent the cost so far of the mismanagement of the Raul Gardini era at Ferruzzi which was perpetuated after his divorce from the family business in 1991. Of the losses at Ferfin, L2,079hn was attributable to a thorough revision of the value of the holding company's share portfolios. At Montedison, extraordinary 1993 losses were L1,300bn while total net losses reached L1,611bn.

reduced by L1,382bn to L21,951bn, largely as a result of asset sales. Debt restructuring and recapitalisation helped reduce financial charges. Since the collapse last year, L5,400bn of fresh capital has been pumped into Ferfin and Mont-

The holding company's consolidated net turnover was up 15 per cent to L22,804bn, generating an operating profit of L1,373bn up 28 per cent. In the case of Montedison consolidated net turnover was up 20 per cent from L16,969bn to L20,415bn with an operating profit of L1,485bn.

The improving trend in oper ating performance has continned this year and in the first two months the gross operating margin was up 26 per cent

### **Expansion for Great-West Life**

By Robert Gibbens in Montreal

Great-West Life, a kay company in Mr Paul Desmarais's North American financial services group, is taking effec-tive control of Confederation Life, Canada's fourth biggest life company, with an initial cash infusion of C\$225m. The planned merger will cre-

ate Canada'a biggest group health and life company. Confederation, a mutuallyowned company with US and European operations, was caught by the property market

collapse and lost C\$29m in 1993 after a C\$137m loan loss proviaion. It finished 1993 with nearly C31bn of non-performing assets. Total assets were almost C\$20bn (US\$14.4bn). Great-West, held indirectly by Mr Desmarais's Power Corp of Canada, now ranks as Cana-

da's third higgest life company

with C\$25bn assets. Its busi-

ness is split evenly between Canada and the US. It will buy C\$75m of Confederation preferred stock and make another C\$150m capital available, and take a majority of boardroom seats. Several other Confederation assets will be sold and the total initial capital infusion will rise

But Great-West will not assume Confederation's troubled mortgage and property portfolio.

Negotiations were complicated by problems in linking a mutual company with shareholder-owned Great-West. About 276,000 Confederation policyholdera are likely to approve the deal and the government reaction was positive.

### More cost-cutting at Continental

Continental, the German tyre maker, lifted first-quarter profits slightly but Mr Hubertus von Grünberg, chief executive, said further cost-cutting was needed to pull the company out of "the deep hole" it fell into in 1993. He said full-year profits were expected to match the DM65.1m (\$38m) of 1993.

Turnover rose 8 per cent in the first quarter, due to the incorporation of Barum, the Czech producer, and BeneckeKaliko, a Hanover-based tyre

maker.

Despite a 50.1 per cent fall in 1993 profits, the company will pay a DM4 dividend. Mr Wilhelm Winterstein, finance director, said he could not rule out a rights issue this year.

High costs in Germany meant 25 per cent of all tyre production would be moved abroad, mainly to Barum and Mabor, the Portuguese unit.

the company said. Contitech, the non-tyre division, would also increase its activities at Vegum, the Slovak

company in which it holds a

Worldwide tyre sales fell by 4.5 per cent to DM4.9bn in 1993 but recession in the auto industry saw European car tyre sales drop by 17 per cent and commercial vehicle tyres

by 34 per cent. Contitech saw 1993 turnover fall by 7.6 per cent to DM2.1bn but said that sales bad improved slightly in the first

quarter. Turnover at General Tire, the US subsidiary, rose 2.2 per cent last year to DM2.2bn.

**Invitation to Tender** 

# Ukraine Opens Its Economy to Investors

# - Confectionery Industry -

International Investment Tender will be launched under the

# **EU - TACIS Programme**

### on behalf of the **State Property Fund of Ukraine**

by an International Consulting Consortium

lead-managed by

COMMERZBANK Aktiengesellschaft

The Consortium members are Commerzbank AG, Bain & Company, Banco Central Hispano, Price Waterhouse and Squire, Sanders & Demosev. The following companies in the Ukrainian confectionery industry are being offered to strategic investors:

Zaporizhya Confectionery Company

These companies cover major confectionery segments including chocolate, sugar based confectionery and biscuits. Capacities range from 17,000 to 44,000 tonnes p.a. Interested parties are invited to receive an Application for Tender Materials, beginning

May 5, 1994. Tender Materials for one company may be obtained for 500 USD (plus 100 USD for each additional company). The deadline for submitting bids is 5 pm Kiev time. July 14, 1994 to the below mentioned representatives. For information please contact:

> Uwe Jenssen/Kenneth Moore Commerzbank Representative Office Pushkinska ul. 34 252004 Kiev, Ukraine

Tel./Fax: +7-044-296-8588

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### Odesa Confectionery Company

Ukraina Chocolate Factory, Trostianets

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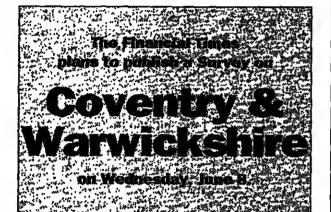
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FINANCIAL TIMES NEWSLETTERS

(AVAILABLE ONLY ON SUBSCRIPTION)

## THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS: Admiral, Admiral House, 193-199 London Road Camberley, Surrey, 12.00 Candover trivs., Howard Hotel, Temple Place, W.C.

Holders Technology, Hendon Hall Hotel, Ashley Lane, Hendon, N. 12.00 Strong & Fisher, Hambros Bank, 41, Tower Hill, E.C.,

Yorkshire Food, Carter Mills, 146 Cleckheaton Road Bradford, W. Yorks., 12.00 BOARD MEETINGS: Finals: Elswick

GBE intl. German Inv. Tst. Govett Oriental Inv. Tst. Jove Inv. Tst. Silentnight Interims Celitech Premium Underwriting

TOMORROW

COMPANY MEETINGS: Bensons Crisps, Dalmerry Hotel, South Promenade, Lytham St. Annes, Lancs, 12.00 Courtaulds Textiles, Langham Hilton Hotel, 1 Portland Place, W., 12.00 Garton Eng., Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, 12.00 Hodder Headline, 338 Euston Road, W.C., 2.00

11.00 Unilever, Queen Elizabeth !! Conference Centre, Broad Sanctuary, S.W. 11.00 Wates City of London Properties, City Tower, 40, Basinghall Street, E.C., 10.30 BOARD MEETINGS: Albany Inv. Tst. BAT. inds. Beattie (James) Finsbury Growth Tst.

E.C., 12.00

E.C. 12.00

10.30

Pentland, Pentland Centre.

Squires Lane, Finchley, N.,

Pittards, Sherborne Raod.

Schroders, 120 Cheapside,

Yeovil, Somerset, 12.30

Sumit, Moore House, 119 London Wall, E.C. 2,15

T & S Stores, Swinfen Hall,

Swinfen, Nr Lichfield, Staffs.

Silvermines Interims: Bellway Dakota On Demand Information Tate & Lyle THURSDAY MAY 5

German Smaller Co's.

COMPANY MEETINGS: Barclays Bank, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 2.30 British Mohair, Midland Mills, Valley Road, Bradford, 11.30 Cadbury Schweppes, Royal Lancaster Hotel, Bayswater Road, W., 3.00 Coats Viyella, Inn on the Park Hotel, Park Lane, W., 2.30

EBC Grp., Imperial Hotel, St. Davids, Exeter, 12.00 Expannet Int., Royal Automobile Club, 89, Pall Mall, Lilleshall, The Chequers Hotel, Oxford Street, Newbury. Berks., 11.30 Lloyds Smaller Co's Inv. Tst., 48 Chiswell Street, E.C., 12.30 Matthews (Bernard), Airport

Ambassador Hotel, Norwich Airport, Cromer Road, Norwich, 12.00 National Express, Farmers' & Fletchers' Hall, Cloth Street, E.C., 12.00 Radius, Founders' Hall, E.C., 12.30

Richardsons Westgarth, Peat House, 2. Comwall Street, Birmingham, 10.00 Standard Chartered, Merchant Taylors' Hall, Threadneedle Street, E.C., 12.00 WSP, 15 New Bridge Street, Blackfriars, E.C., 11.00 BOARD MEETINGS:

Finals: Aminex **BMSS** Bank of Scotland Body Shop Intl. CSC Inv. Tst. Forward Grp. **Gartmore American Sec** 

Highcroft Inv. Tst. Regent Corp. Westminster Scaffolding Interims: Titan Hidgs.

FRIOAY MAY 6 COMPANY MEETINGS: BAT Inds., Queen Elizabeth Il Conference Centre, Broad Sanctuary, S.W. 12.00 Billiam (J), Sheffield Mout House Holel, Chesterfield Road South, Shaffield, 11.00 Church & Co., Northampton Moat House, Silver Street, Northampton, 12.30 Clarke (T), Simpsons, The Strand, W.C., 12.00 Hillsdown Hidgs., Regents Park Marriott Hotel, N.W. 2.00 IMI, Metrolpol Hotel, N.E.C. Birmingham, 12.00 MTL Instruments, Power Court, Luton, Beds., 4.00 Palon, Royal Society of Arts, 8 John Adam Street, W.C., 11.00

Rugby Grp., Crown House Rugby, 12,30 Servomex, Buxted Park Hotel, Uckfield, East Sussex, 11.00 Spandex, 1600, Park Avenue Almondsbury, Bristoi, 10.00 Zeneca, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00 BOARD MEETINGS: Walker (J.O.)

Broadgate Inv. Tst. Company meetings are AGMs unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Interims:

#### DIVIDEND & INTEREST PAYMENTS

M YESTERDAY American Tela. & Tela, \$0.33 Ameritech \$0.48 Angle Am. Inv. Tst. 5.825% Cm. 1st Pf. R0.6626 R0.05625 Beil Atlantic \$0.69 BeilSouth \$0.69 Dunadin Worldwide Inv. Tst. \$.5% Cm. Pt. \$1.73

Kwik-Fit Hidgs., Skinners' Hall, 81/2, Dowgate Hill,

FL 21.73 Edinburgh inv. Tet. 734% Db. 1995 23.75 Fife Indimer 2p ISS-trift. Service Sys. DK/2 Kalon 2.5p Ration 2.39
Kymmense Pulkt)
Pacific Telenis \$0.545
Southwestern Bell \$0,395
US West \$0.635
Volvo A SK/7.75
Do, 8 SK/7.75

American Tet. 3.6p APV 3.15% Cm, PL 1.575p Do, 4.56% Cm, PL 2.275p Do, 5.25% Cm, PL 2.625p Barcleys Bk 12.375% Nis. 98 Lire618,750 Bradford & Bingley Birlg. Soc. FRN '98 C138.68 Capacides Firm 6 american Capacides Firm 6 american Street 6 american Firm 6 Canadian Pizza 3.6p CreataCare 0.5p EFT 1,04p Excalibur 0.25p

Do. 7% Ref. Lorn '24 Stg. Fdg. Bds. '85 Green (E) & Part. 2.75p Healthcare Ops. 1 Class A FRN '21 Healtheare Ops. 1 Class A FRN '21 2148.56 Howden 0.82p Hungary 71/1% Stg. Bds. '24 E2.75 Hydro-Cuebec 8.5% Dbs. Sarks GG '01 C535 CN Pharm. 61/1% 2001 \$53.75 Iroland 11 1/1% '34 E568.75 Johnson Gp. Cleaners 20p Lamont Hidgs. 8% Cm. Pt. 1.05p Do. 5.6% 2nd Pt. 2.8p Do. 10% 3rd Cm. Pf. 5p LASMO OB Prod. Stk. Units 4.5234p Lax Service 7.8p Lloyds Abbey Life 11.7p Macro 4 8.02p MAI 2p

MAI 2p Marubani Am.7.3% Nis. '96 Y7,300,000 Minorco \$0.19 Natl, Home Lns FHN '96 \$1.50

Natl. Home Lns FHN '95 \$1,50 NatWest Bk 8,45% Nhs. '01 \$4,725 Novo-Nordisk B DK44 Prudentel Fd 10% Nhs. '98 C\$100 Reptised O'3eas Fn. 11%6 Cv. Sec. Br. Nhs. '98 257.50 Reduct 19.8p St. Andrews Tst. 5.1p State Bark NSW 10%% '98 A\$105 TT Grp. 10.875% Cv. Rd. Pf. '97 5.4375p Trees, 154% Ln 1998 27,625

HTP Cv. Pt, 3.75p Hallfax Bldg, Scty. FRN '97 5281.52 Holders Tech. 4p Lloyde B3nk 15.5p New Zealand 11%% '08 5281.25

M THURSDAY MAY 5 m Industry man o Bensons Crisps 2.15p Bergasen A NGR1.0 Do, 8 NGR1.0CPH B4.98p Domestic & Gen. Grp. 9.25p Holiday Cherrical 2.4p Inds. Control Services 1.5p Yorkathre Food 2.48p I FRIDAY MAY B

Admiral 4.3p Bering Puma Fd, \$0.25 Brit, Air, 8½% Nts. '97 £95.0 Brit. År. 8%% Nts. "97 £95.0 Cadisury Schw. 8%% Un. Ln. 94/2004 £4.126 CALA 0.9p Cla Grp. 3.88p Countailes 8% Cm. Rd. 2nd Pl. 2.1p Countailes 7eet. 9.5p Delta 10% Dt. 95/89 £5.375 Expanset Int. 1.25p Fil Grp. 8p Honeysocide 1p I & S Optimum Inc. Tst. 1.95p

Isotron 1.66p Jardine Strategic Cv. PL(Remnush) \$75.0 Do. (Hong Kong) \$75.0 Lows Light) 10'49's Bd. '06 C102.50 Lloyda Smaller Go's law. Fet. 1.85p Do. Package Units 1.85p Matthews (Hamard) 1.4p Missi Taalsu Chem. 3,5% Bd. '01 Y972222.0 Publisan Zochonia 2.45p Do. A (N/Vis.) 2.45p Schroders (2.5p Do. N/Vis. 12.5p Second Market Inv. 4.3p Tay Homes 1.35p Transport Devi. Grp. 6.5p

M SATURDAY MAY 7 BBA 10% Db. 1989/94 CS.0 Bristol & West Bldg. 134% Perm. Int. Brg. £68.875 Conversion 9%% 2003 £4.875 Ricardo 2p

Whitbread 7:4% Un. Ln. 95/90

M SUNDAY MAY 8 Rea Brothers 0.45p

## **CONFERENCES & EXHIBITIONS**

300294

THE NEW SOUTH AFRICA for INVESTORS

Nelsoo Mandela is likely in ted as President. On the same day at par independent Loodon Research conference for lasticulional loves Deals Worrall and a powerful international panel will snalyse the new potential and investments. Contact: Helon Wood Tel: 071 394 5795 Fast 071 231 9928

LONDON MAY 10-12 INTERNET WORLD & **DOCUMENT OFLIVERY WORLD INTERNATIONAL '94** 

Mecklernedia's second annual conference and exhibition exploring the products and services laternet applications can offer the company and the individual. Venue: Novotel London Hammersmith Tel: 071 976 0405 Fax: 071 976 0506 Mecklermedia, Artillery House, Artillery Row, London SWIP 1RT LONDON

RAILFREIGHT AFTER OPEN ACCESS - MAKING PRIVATISATION WORK

A conference examining open access as UK railways and implications for new entrants following privatiastina of Trainkoad Freight, RfD and Freightliner. Speakers include Rr Hon John MacGregor MP. Secretary of State for Transf Organised by the Waterfroat Partner & The Rail Freight Group. Contact: Life Dale Tel: 071 730 0430 Fex: 071 730 0460

LONDON

MAY 11 THE NEW CONSUMER ENVIRONMENT

The key factors driving markets into the next century. The Healey Centre's one-day conference will be examining the real views on the way that society is changing te strategy, Cost £350 + VAT Contact: Anne Harman Tel: 071 353 9961 LONDON

MAY 17 & 18 FT WORLD PULP AND PAPER Arranged jointly with CEPI, this high-level FT forum will consider longer-term scattegies for the industry post recession, restructuring, competition and trade issues and review developments in emerging markets. It will also fines on the implications of the growing envehallenges facing the sector.
Enquiries: Financial Times Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

MAY 18 APPLICATION OF PARALLEL PROCESSING TECHNOLOGY: A Briefing for Retail Companies
Particularly for those YY/DP and marks A Briefing for Fletter Compenses
Particularly for those TYDP and marketing
managers working within the retail
industry. This free seminar will focus on
parallel processing technology and its
application advantages for the retail world.
Course: Sarah Donnelly/Sophic Lipscombe White Cross Systems Ltd. Tel: (4344) 300770 LONDON

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[monlines Fuzzocal Times]

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JUNE 23 CORPORATE SECURITY IN RUSSIA

# The Markets

THIS WEEK

Global Investor / Bronwen Maddox

# Desperately seeking surprises

Per cent

owards the world-weary resolution of The Age of Innocence, Edith Wharton's classic novel now playing as an award-winning film, the hero and his new bride set off to tour Europe. She buys a wardrobe of gowns in Paris, he picks up a set of suits in London, and they settle onto the boat heading back to the New World, content that they have picked the best - meaning the most predictable - of each country's wares.

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> Any investors - American or otherwise - who follow that approach to the European equity markets at the moment will find value elnding them. The only survival game at present - and it is hardly an enjoyable one - is to dig hard for the few surprises in future earnings growth that

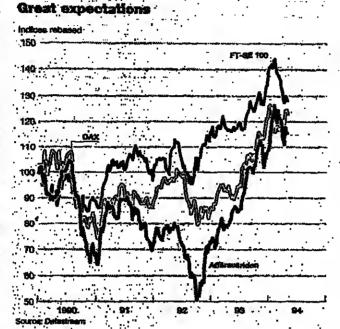
It is a peculiarly awkward point at which to try to squeeze money into the equity markets. Coming out of recession, companies should have several years of strong growth before threats of inflationary pressures and rising interest rates re-emerge.

But investors have had months - about 18 months in the UK's case - to scour the markets for stocks which should perform well in those conditions. The main question now is whether all of that potential is already captured by share prices.

Of all the European equity markets. Germany looks the most attractive by some way. Recent company announcements have delivered a bandful of surprises already - shares have risen sharply as the fig-

The market's capacity for delivering unexpectedly good results should continue, at least for this year. Surveys show business confidence improving rapidly as exports pick up on the back of American and Asian demand.

Last week five of the coun-



research institutes threw their considerable weight behind politicians' optimism about the economy, with a forecast that gross domestic product would grow by 1 per cent in western Germany in 1994 and by 7.5 per cent in the east. Broking houses. which had typically been sketching in no growth for this year, are upgrading earnings

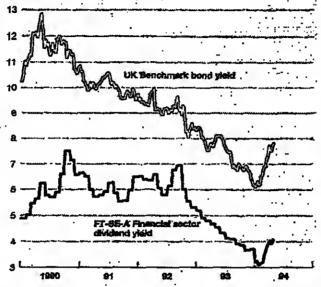
The threats to that nicture are that the present weakness of the dollar against the deutschemark restricts exports, and that inflationary pressures could revive. Given the dependence of German companies on bank finance, the equity market has historically been even more sensitive to a rise in interest rates than other European markets.

However, the recent low wage eettlements have gone some way to addressing inflationary fears. They have also, as Mr Michael Hughes, curtry's independent economic rency analyst at Barclays de Zoete Wedd has been arguing. taken some of the strain off the currency.

Exchange rates of DM1.85 to DM1.90 to the dollar by the autumn, which was widely predicted several months ago, now look unlikely. But a weakening towards DML75 in the next few months, compared with DML65 at the end of last week, still looks on the cards and should ease some of the market's

remaining fears.
After Germany, Sweden serves to be the next stop. With more adventurous financial structures than their German rivals, and with profits more sensitive to export volumes, Swedish companies have tended to offer the attractions - and risks - of Germany, multiplied several

The paper and pulp sector may have shown all the performance of which it is capable for some time, but industrial stocks should have further to



Beyond that, the pickings dation while returns to sharebecome much thinner. To rely holders build". on the constants that underpin The markets are now also

the Italian market, such as a settling firmly into a view of fair proportion of savings conrising interest rates: threetinuing to make their way into month sterling contracts are the market (at 18 per cent, the now discounting 8 per cent savings ratio is Europe's highinterest rates in December est), is to allow nothing for disillusionment with the new gov-It is becoming increasingly

hard to believe that all the earnings growth which is In the UK's case, the rewards of chasing after growth stocks assumed in current valuations may now be so chisive that the will in fact appear. General opposite principles should manufacturing stocks, for apply, investors may well find example, are on a multiple of it worthwhile picking up coun-tercyclical, blgh-yielding shares such as the financial some 18 times estimates of 1995 earnings, compared with the All Share Index's rating of less than 13 times earnings. It is hard, with yields on That is a large premium for e long bonds still drifting up, to group of companies which see the UK market doing more trade at a discount to the mar-

haps edging forwards as divi-dend growth comes through. Against that background, the virtues of dividend growth According to Mr Edmond Warner, head of strategy at offer considerable appeal. The financial sector, which has that attraction, offers no to a lengthy period of consolihiding place from the gloom of

ket at the peak of the economic

the bond markets, it must be

The yield on the sector and on bonds have tracked each other closely (see chart). But the past few years suggest that the sector demands only stability in the bond markets, not recovery, to perform better. While it offers few surprises, it at least does not ask that investors pay top prices for earnings.

Boiled in oil

Enterprise Oil's bld for Lasmo apart, oil shares have seen aggressive buying in the past few weeks, driven by the strength of underlying oil prices. There is a case, though, that both shares and futures have gone far enough in the short run.

After the Opec meeting at the end of March, which agreed to maintain output levels. Brent crude touched \$12.70 but has now revived to \$15.30. But views in the market on the direction from here are sharply divided.

Those - like Mr Simon Flowers at Natwest Securities who think oil could reach \$18 to \$19 a barrel within a year and rise further beyond then, are taking a bet that growth in demand will be enough to soak up the impact of future Iraqi supplies, for example.

At current prices, British Petroleum and Shell Transport are valued on between 17 and 19 times 1994 earnings. Even looking several years out, prices seem to have caught up with events.

The superhighway

It does not take much exposure to the current cable enthusiasm to opestion the valuations being put on the "sunerhighway", which will pipe every kind of communication service

Last weak Telewest, the largest cable operator in Britain, confirmed plans for a global Total return in local currency to 28/4/94

	eu	Japan	Germany	France	Italy	UK
Cash						
Week	0.07	0.04	0.11	0.12	0,15	0.09
Month	0.31	0.21	0.48	0.53	0.70	0.44
Yeer	3.44	3.25	6.69	7.31	10.83	6.19
Bonds 3-5	year					
Week	-0.36	0.21	-0.03	. 0.67	.0.27	0.04
Month	-1.01	0.15	-0.14	0.031	0.94	-0.01
Year .	0.42 .	6.74	6.86	8.17	19.46	5.94
Bonds 7-10	year					
Week	-0.58	0.58	0.10	1.06	88.0	-0.39
. Month	-1,26	1.02	-1.10	-0.73	1.45	0.10
Year	~0.16	9.30	6.10	8.67	26.77	7.11
Equities	••					
Week	0.0	-0,3	. 2.4	2.8	5.9	0.9
Month	-2.2	-0.7	. 4.1	·0.5	15.2	0.4
Year	5.2	1.5	36.0	18.6	51.5	17.7

Best performing stocks from FT-A World Indice

	Close	Mosk	Month	400
Benesto (Spa)	1,050	34.4	43.3	-53.2
Golden Plus (Mal)	12.50	28.2	77.3	n.a
Commerce Clearing	19.00	20.6	7.0	12.6
Clorax (USA)	50.13	20.0	. 11.4	167.2
Teledyne (USA)	17.00	18.2	-2.2	-13.9
Plate Glass (RSA)	135.0	17.4	22.7	223.4
Noveli (USA)	18.63	17.3	-4.5	-38.0
Lotus Dev. (USA)	63.38	16.8	-13.5	164.1
LSI Logic (USA)	22.25	16.3	6.6	104.5
Cons. Freightways (USA)	26.25	16.0	-6.7	53.2
<del></del>				

share offering this summer television programmes. which could value the company at £1.7bn. That is based on the reckoning that cable's revenues from delivering telephony will outstrip revenues from television by the end of the decade.

But investors might well ask wbether cable is underplaying the risk that British Telecom will eventually be allowed to provide entertainment over Its telephone lines, such as "videoon-demand" - programmee dialled up from a video library. BT is barred from doing that until at least 2001 by the 1991 Duopoly Review, but that ban will be reviewed in 1998.

If allowed to go ahead, BT would have little of cable's expense of digging up streets -Its trunk lines are now fibre optic cable, capable of carrying

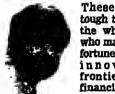
True, most BT connections to houses are still through cop-per wires, which deliver less good pictures, but recent trials

have had some success. The outcome of the 1998 review is unpredictable: it will depend on the nature of the government in power and on any obligation it feels to protect the cable industry. But cable's vulnerability on this point emphasises that British media is hardly the brave new deregulated world that media barons sometimes portray.

On the contrary: investment success in British media has always depended on getting judgments about future regulatory changes right. If the rules do change, the cable valuations now mooted will look unforgivingly high.

### Economics Notebook / Peter Norman

# Derivatives attract some hostile attention



tough times for the whizz-kids who make their fortunes at the innovative frontiers of financial markets.

Recent bond market gyrations and corporate calamities, such as the \$102m after tax charge at Procter & Gamble arising from swap transactions and the near bankruptcy of Metallgesellschaft of Germany after oil futures speculation, have brought derivatives and other sophisticated financial products to the hostile attention of politicians and regula-

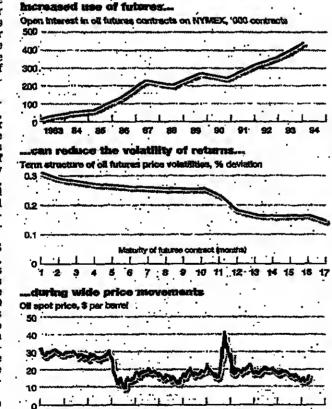
Mr Eugene Ludwig, the US comptroller of the currency, has hinted ot tougher controls over US banks' derivatives trading. A week ago, finance ministers from the Group of 10 leading industrial countries agreed on the need to strengthen co-operation in gathering statistics and assessing the implications for the world financial system of "the innovative segments of finan-

cial markets' Mr Hane Tietmeyer, the Bundesbank president, and Mr Andrew Crockett, the general manager of the Bank for Inter national Settlements, called in separate speeches last Tuesday for improved disclosure requirements and sufficient capital adequacy standards among financial institutions to underpin their risky activities.

Although Mr Tietmeyer said there was no need for specific new regulation "for the time being", tighter regulation of derivatives seems highly likely. Yet just as markets overshoot and become indiscriminating, regulators and legislators must beware of becoming excessively worried about financial innovation. But derivatives, such as

options and futures, are not just speculators' toys. Derivatives and swaps, which are agreements to exchange speciified cash flows such as interest rate or currency liabilities, can yield broader economic bene-

Although Mr Crockett focused mainly on the risks posed by financial innovation, he acknowledged that derivatives, by allowing sophisticated risk management, can improve



the productivity of an investment. They also could contribute to the integration of global capital markets, so improving the global allocation of savings and fostering higher invest-

ment levels. in a recent study\*, the World Bank has emphasised how market-based instruments such as futures, options and swaps are being used with increasing success to combat the adverse effects of volatile commodity prices on the econ-

omies of developing nations. Commodity exporting countries can suffer large scale shocks through big and sudden changes in the prices of their main products. The World Bank cites the case of the Ivory Coast, an exporter of cocoa and coffee and an oil importer. In the 1970s and 1980s, it suffered six terms-of-trade shocks (two favourable and four unfavourable), each of which moved its gross domestic product by more than 10 per cent.

Such shifts would make eco-

nomic management difficult

enough in an advanced industrial country. in certain poor developing nations they have encouraged policy errors, including big budget deficits and soaring external debts that act even today as a brake on

Traditional means of smoothing the effects of commodity price volatility have yielded scant success. The 1980s saw the failure of several international commodity arrangements that sought to stabilise prices. Domestic stabilisation schemes have a similar poor record and have tended to put e strain on already hardpressed budgets. Little wonder, therefore, that interest has focused in recent years on market-based techniques such as hedging in commercial futures

markets to manage risk. Commodity futures markets have been around for a long time and are spread across the globe. Only in recent decades have they developed great depth and liquidity, however. The top chart gives one example of how dealing on crude oil futures has grown over the past decade. According to the World Bank, the volume of crude oil futures and options traded on the New York Mercantile Exchange now amounts to roughly 200m barrels a day or almost four times world production of crude.

sector instead.

than tracking sideways, or per-

Kleinwort Benson Securities.

"the UK market is condemned

Forward prices tend to be less volatile than spot prices, giving commodity producers an opportunity to reduce the volatility of the price of their output through hedging. The middle chart, based on a study of the oil futures market in the late 1980s, suggests that a pro-ducer, routinely hedging 15 months in advance, could cut price volatility by a half. Governments and corpora

tions in developing countries have taken advantage of exchanges to hedge their commodity exposure. For many years, Ghana and the Ivory Coast have sold part of their cocca crop ahead of the har-vest while Indonesia's rubber and coffee exporters routinely

nedge. Codelco, Chile's state owned copper company, has used financial derivatives linked to the copper price and interest rete hedging instruments. But news earlier this year that it had incurred a \$206m loss in trading on the London Metal Exchange shows that futures trading is not risk free. However, when finance and

development ministers from the world's industrialised and developing nations met in the joint World Bank - International Monetary Fund development committee last week. they gave their backing to the use of hedging instruments in futures markets by commodity producers.

They also supported efforts of the World Bank and other agencies to provide know-how to smaller producer countries so that they could use such markets.

Although the official mood has swung against the young "rocket scientists" who construct and deal in derivatives on Wall Street, governments are still prepared to back sophisticated market practices when they are seen to do some

\*Global Beonomic Prospects and the Developing Countries, 1994 World Bank, 1818 H Street NW, Washington DC 20433.

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#### End of Month S.G. Warburg Warrant Valuations

as at 29th April, 1994

CURRENCY STRIKE EXPIRY Single Stocks 29th Jun 95 AUD 17.01 Dao Heng Bank Call HKD 23.50 32.00 0.30 25th Jan 96 Hnng Kong Electric Call. HKD 22.80 29.20 0.43 6th Feb 96 Hutchison Whampoa Call HKD 31.80 36.00 0.86 21st Dec 95 17.00 7.90 6th Sep 95 Hysan Development Call HKD 22.60 Philips Electronics Call NLG 54.30 54.18 8.75 8th Sep 95 Capped Call ITL 3840 4246 447 30th Mar 95 Saipem 4740 3832 1483 14rh Jan 96 Sip Call ш Call 6133 1913 П 14th Sep 95 Stet Baskets 3rd Feb 95 European Airlines 1 Call 16.62 European Airlines 2 Call 468.91 9th Mar 96 1st Jun 95 Call 92 114.75 0.34UK Benks European Multi-Media 1 Call 2224 2028.57 3.39 28th Sep 95 European Molti-Media 2 Call 2224 2475 2.15 28th Sep 95 UK Pharmaceuticals Call 98.05 0.37 26th Jan 95 **UK Support Services** Call 88.90 107.50 0.49 2nd Aug 95 Call 104.75 0.24 5th May 95 **UK Water Companies** 88 European Steels Call 3839 2550 137 12th Jan 95 Italian Industrials 1 19665 31st Aug 95 ITL 23875 729 Call 23875 24549 **273** 31st Aug 95 Italian Industrials 2 Call ITL 440293 489229 783 13th Oct 95 Italian Recommendation Swedish Capital Goods Call SEK 105875 112054 18.12 20tb Oct 95 Indo-China USD 0.97 1.00 8th Dec 95 FTSE Mid-250 Index 3781 2900 Call 9.06 17th Mar 95 FTSE Mid-250 Index Call 3470 4,44 17th Mar 95 FTSE Mid-250 Index Call 3670 3.24 17th Mar 95 FTSE Mid-250 Index Call 3781 3900 2.14 17th Mar 95 FTSE Mid-250 Index Call 3781 3945 3.50 17th Jan 96 2900 FTSE Mid-250 Index 3781 Put 0.05 17th Mar 95 FTSE Mid-250 Index 3781 3470 1.30 17th Mar 95 Put 3270 FTSE Mid-250 Index Put 0.74 17th Mar 95 FTSE Mid-250 Index 3.25 17th Mar 95 Relative Performance Volvo/OMX Call SEK +32.86% -10% 456.20 23rd Feb 95 SEK +32.86% Vnlvo/OMX Call +/-0% 382.20 23rd Feb 95 +32.86% Volvo/OMX 315.60 23rd Feb 95

#### S.G.WARBURG

S.G.WARBURG GLOBAL **EQUITY DERIVATIVES** 

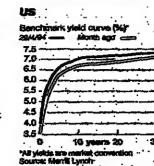
FOR INFORMATION CONTACT JUSTIN CHITTENDEN ON 671-860 6517 REUTERS PAGE: WARB  **NEW YORK** 

inflationary pressures. The market is convinced that the Federal Reserve will push the Fed funds rate up by another % percentage point when it meets on May 17, if

pointed towards growing

not before. Yesterday, the National Association of Purchasing Managers' monthly index of business activity came in at 57.7 per cent, much as expected, yet bond prices lost another half point or so in early trading

The rest of the week will provide more data to feed the market's fear. Tomorrow's index of leading indicators could show an increase of 0.6 per cent for March after slipping 0.1 per cent in February.



Richard Tomkins

On Wednesday, figures for factory orders are likely to show an increase of 0.5 per cent for March.

The productivity figures, due out on Thursday, may indicate that output per hour grew by barely 1 per cent in the first quarter.

But the climax of the week will come with the publication of the employment figures on Friday: anything much bigger than a 170,000 increase could send yields rising again.

#### LONDON Philip Coggan UK

7.0

5.5

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With little else in the way

While the minutes of tomorrow's meeting between Mr Kenneth Clarks, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, will not be known for six weeks, analysts do not think the two men will agree to a base rate reduction.

"It is apparent from official comments that rate cuts have to be clearly justified on economic grounds and recent data have shown that the economy is growing at a steady race, so no cut is needed," says Mr Nick Stamenkovic, nomist at DKB

International, He adds that if they cut rates ahead of the local and European elections, it will be viewed as political. Sterling will suffer and gilt yields will rise". M0 statistics, published

of economic data to the published this week, gilts may be affected by political today, are expected to show that the narrowest measure nervousness following of the money supply grew strongly in April, which may Thursday's local council elections. International be a guide to the strength of investors might take fright retail sales. However, Mr Don Smith of Midland Global at bad results for the

Benchmerk yield curve (%) ere driven by trading in with oversensitivity to as bad news.

intake and industrial production for March. Markets, points out that MO growth was also buoyant in the German economy, they April 1993, so there may be a problem with the seasonal

> Mr Holger Fahrinkrug, an economist at Schweizerischa Bankgesellschaft in Frankfurt, predicts that manufacturing orders will increase by 0.5 per cent month-on-month, which corresponds to a healthy 6.5 per cent annual increase. He thinks industrial production

#### FRANKFURT David Waller

7.4 --

89.

10 yrs 20

will be unchanged month-on-month, but after

0.2 per cent

February's rise of 1.2 per cent

that means an annual rate of

If these robust figures cause

nervousness in the markets,

disappointment at tomorrow's

outcome of this week's repo operations. After a 23 basis

point cut in this key rate in the past two weeks, the scope

for further reduction this week

there is also scope for

The market for German povernment securities is in a grumpy mood. With little rading in the underlying bunds - most price movements derivatives - the market reacts whatever may be perceived

This week's bad news is likely to come from two sets of economic data due in the next few days - details of order

To the extent that the data show evidence of recovery in will unsettle a market already weakened by the knock-on effects of the US interest rate

#### TOKYO

The outcome of the wrangling over Japan's new cabinet has had little affect on long-term Senctypark yield curve (%)" interest rates, although investors in the short term money markets were encouraged by the creation of Mr Tsutomu Hata's minority government Traders believe Mr Hata is

unlikely to deliver the tax reform package, including ncome tax cuts to be financed by a rise in consumption taxes. because of the departure of the socialist party from the coalition. He may, therefore try to avert pressure from the US by cutting interest rates to stimulate the economy. If a general election is called

following the passage of the budget bill, as many analysts are forecasting, the Bank of Japan may be tempted to ease its monetary policy to counter the rise in negative sentiment towards the economy, which has just started to stabilise. Bond market investors. however, had littla incentive to commit funds ahead of the

erk yleki curve (%) 4.3

Emiko Terazono

Golden Week holidays. Financial markets this week will be closed for three days starting today. Institutional investors.

which have indicated they would put most of their new money into the bond market rather than stocks, are expected to start investing after the holidays but the upside of bond prices may be limited by the rise in bond issues by municipal governments.

#### Capital & Credit / Conner Middelmann

### Bank casts a wider net to fund PSBR

After last year's effortless run, the Bank of England may find funding the UK public sector borrowing requirement more of a challenge this year, especially if difficult market conditions persist.

However, a much lower PSBR for the current financial year, coupled with the Bank's increasingly innovative approach to gilt issuance, is unlikely to make supply a major problem for the gilt market, most analysts say.

Helped by falling interest rates and a global bond market rally, funding last year's £45.9bn PSBR was child's play, enabling the Bank to overfund by an estimated £3hn to £4hn. Overseas investors, including highly leveraged hedge funds, were keen buyers of gilts - but that backfired early this year, when many overseas players dumped their positions amid widespread inflation litters and rising US interest rates, all of which sent world bond markets into a tailspin.

Having posted the most spectacular gains last year, the gilt market was especially badly hit. Salomon Brothers' World

UK GILTS PRICES

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Government Bond Index shows 10-year gilts have fallen by 7.96 per cent in the year to date. The ultra-long end has fared even worse, dropping about 10

Funding the deficit, albeit a much smaller one, may prove more tricky in these conditions. Investors are keeping a low profile, preferring large cash positions to braving the unuredictable market.

Moreover, many gilt houses have suffered heavy losses, prompting some to reduce their exposure sharply.

The most recent casualty was discount house Gerrard & National which pulled out of gilt market-making last week saying "the obligations and risks of gilt-edged market-making exceed the benefits and rewards". Still, most economists don't expect the gilt market to be overwhelmed by this year's funding programme.

With an estimated £3bn to £4bn overfunding from last year to carry forward, one auction under the belt and the £6.8bn of bank and building society purchases from 1992-93 also going towards this year's funding, "our PSBR forecast of £35bn (compared with the Treasury's £28hn) implies net gilt sales of around half that completed in the last year", says Mr Simon Briscoe, UK economist at S. G. Warburg Securities. This implies that £12bn, or roughly a third of the funding for this year, has already been comple

What is more, the Bank of England appears to have adopted a more innovative stance, as illustrated by its recent issue of floating rate gilts, the first since 1979. By issuing floaters, the Bank

"tapping a different source of institutional cashflow", says Mr John Shepperd, chief economist at Yamaichi International. 'They're widening the net and are attracting banks and monetary institutions who may not have looked at gilts." Floaters have a particular appeal to banks and building societies, which buy them to

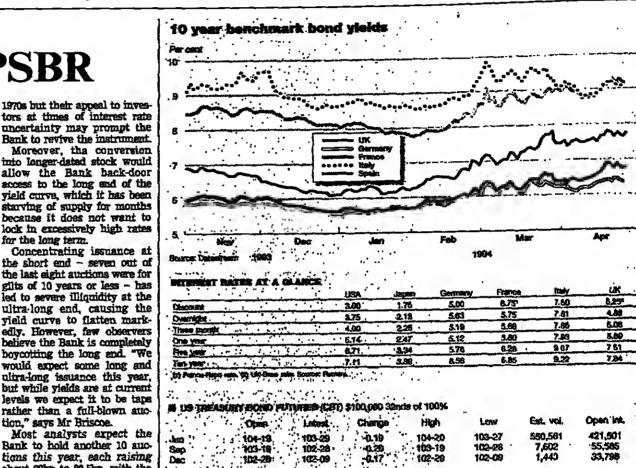
For the government, "floating-rate funding has the advantage of securing finance, without worries about bunching or refinancing, while enabling the Exchequer to benefit from a further fall in interest rates" says Mr Roger Bootla chief economist at Greenwell Montagu. While non-bank appetite for floaters may be limited, bank demand could be more substantial, he says.

At its recent auction of 6 per cent gilts due 1999, the Bank made another small shift from its usual approach: rather than being partly paid (where havestors pay for only a portion of the paper and settle the rest several weeks later, delaying the fungibility of the paper with the existing stock), the issue was fully paid and the bonds immediately became fungible. This relieved a technical shortage in the five-year benchmark stock, traders said.

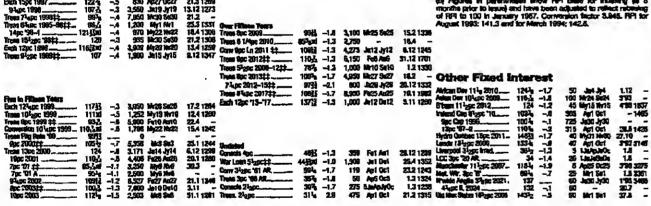
Talk of other possible innovations includes convertible match their short-term liquidity needs. They also attract gilts, where the Bank issues investors who expect interest shorter-dated paper that can be rates to rise over coming years converted into long-dated stock and want bonds whose couat a later stage. It hasn't issued pons will increase as rates rise. convertibles since the late 1970s but their appeal to investors at times of interest rate uncertainty may prompt the Bank to revive the instrument. Moreover, tha conversion into longer-dated stock would allow the Bank back-door access to the long and of the yield curve, which it has been starving of supply for months because it does not want to

for the long term. Concentrating issuance at the short end - seven out of the last eight auctions were for gilts of 10 years or less - has led to severe illiquidity at the ultra-long end, causing the yield curve to flatten markedly. However, few observers believe the Bank is completely boycotting the long and. "We would expect some long and ultra-long issuance this year, but while yields are at current levels we expect it to be taps rather than a full-blown auction," says Mr Briscoe.

Most analysts expect the Bank to hold another 10 auctions this year, each raising about 23hn to 22.5hn, with the remainder raised through tap issues of existing stock.



#### Market Fried E +/- Die dem od Rom With Amel Interest Notes Price E +f- Em des Toron 111-20c 2001-4 \_\_\_ 11653 -1.0 1,620 Mate 5a19 10.2 1290 Index-Limited Shorte" (Lives up in Fire Yours) | Trues | 11-2pc 2007+4 | 1763 | -1.0 | 1.621 | 1670 | 5419 | 10.2 | 1250 | 1760 | 5419 | 10.2 | 1250 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 1760 | 176 1,900 Je9 De8 1,200 Fe22,9025 2,350 Je25 Jy25 24 Jey1 Hr1 2,500 Je21 Jy21 840 He15 Hr15 770 Je22 Jy22 1,150 Hey3 He1 800 Hr15 Hr15 3,409 Hr15 Hr15



# The United Mexican States Floating Rate

Privatization Notes Due 2001

The applicable rate of interest for the period May 2, 1994, through and including July 51, 1994, to be paid on August 1, 1994, a period of 91 days, is 5.0625%. This rate is 13/16% above the offered rate for three-mouth deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (4.25%) as quoted on the Dow Jones/Telerate Monitor as Telerate Screen No. 3750 as at 11:00 A.M. (London 15m) on the 199 100. Jones/Telerate Monator Time) on April 28, 1994. The above rate equates to an interest payment of USD 12,796875 per USD 1,000.00 in principal amount of Notes.



Banco Nacional de Mexico, NY

Notice of Interest Rates

To the Holders of The United Mexican States Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering an May 2, 1994 to November 2, 1994 are detailed below:

Interest Amount Series 3.3125 Pcl. P.A. USD 27.79 Per USD \$ 1,000 Nov. 3, 1904 Series 3.3125 Pcl. P.A. YEN 1,886.00 Per YEN 100,000 Nov. 3, 1984 May 2, 1984 CITBANK, N.A., Agent



#### **NEW JAPAN SECURITIES** New Japan Securities Europe Limited is pleased to announce that, as from 3rd May 1994, their office will be at: **BRACKEN HOUSE** ONE FRIDAY STREET, LONDON EC4M 9JA lephone: 071 489 1111 Facsimile: 071 489 5000 Teles: 883066 NJELDN G

Notice of General Meeting of Shareholders 统一企業公司 PRESIDENT ENTERPRISES CORP. Notice of 1984 Annual General Meeting of Shareholders of President Ente PEC will hold its 1994 annual general meeting of shareholders at 9:00 a.m. on Wednesday, May 25, 1994, at the head office in Tainan, Taiwan. The acenda includes the following:

Member of SFA, Member of ISE

Proposal for the distribution of earnings for 1993 From: The Board of Directors of processors of participants G RT DATA FROM \$10 A DAY O Signal SOFTWARE GUIDE O Call London 13' 44 + (0) 71 231 3558

Weekly Petroleum Argus Petroleum Argus

port on 1993 business opera

### International / Christopher Brown-Humes

# Sweden pays price for sins of the past

A modest rally in Swedish been selling into a relatively Benchmark bonds. bonds last week suggested the market might finally be coming back into favour for the first time in months.

On many counts a correction s overdue given the mauling which has taken Swedish 10year bonds to a spread of more than 200 basis points over German bonds, from just 90 points three months ago.

Yet there are plenty of rea-sons for believing the market will find it hard to break decisively out of its current range. These include general turbulence in international financial markets, worries about Sweden's burgeoning state debt,

and the prospect of a tough re-election battle for the cantre-right government this Sep-Mr Andrew Davies, bond analyst at the London Bond Broking Co, though a buyer, says the attractions of Swedish market are relative. "We are

buyers of Swedish bonds because yields are now only 45 to 55 basis points below those of Italy and Spain." he states. In one sense Sweden's bond market drop is surprising, given that inflation has fallen to only 1.8 per cent in spite of a 20 per cent drop in the value of the Swedish krona ovar the last 18 months.

Government projections suggest inflation will be held to 1.9 per cent for the year as a whole, before climbing to 2.8 per cent next year.

What has happened is that foreign investors, who last year were big buyers of Swedish bonds, have this year been big sellers - and they have narrow domestic market. The rationale for the buying

was that Sweden's economic problems were so severe that it would be forced to bring down interest rates very sharply. In fact, the central bank has pursned a much more cantious monetary policy than many pundits expected. This meant that when turbulence hit international bond markets in February, many of Sweden's for-eign bondholders headed for

the door. Although very much in thrall to what happens in Germany, Swedish bond yields hava risen much more than German. Here it seems the country is paying a price for

the sins of its past. It is a point acknowledged by Mrs Anne Wibble, the Swedish finance minister, who said last week: "The market has a long memory of our very large devaluation in 1982 and a long memory of our poor inflation

performance during the 1980s." The country's track record explains why the Riksbank, the central bank, has made inflation its top priority in the months since Sweden floated the krong in November 1992. It also explains why the country resorted to its first issue of index-linked bonds two weeks

krona strengthens or there is evidence of fiscal tightening. Fiscal tightening, though, is not on the cards in the short-term, as the supplemen-

Effectively, the Riksbank has ruled out further cuts in its key marginal rate - currently 7.25 per cent - until either the

Redemption yields (%) Jun 1 1994 Apr

tary budget presented by Mrs Wibble last week made clear. The markets were not surprised by the absence of tough measures, both because of the election and because the gov. ernment has lost the guarantee of support from New Democracy, the populist party on which it relied for its majority. The savings promised by the

government for the second half of the decade - a total of SKr100bn in the six years to 1999 - are not something which can be guaranteed, especially with opinion polls indicating that it will be the opposi-tion Social Democrats who triumph at the alection. Although it would be natural to think that the Social Demo-

crats might seek to lower unemployment by expanding the public sector, the markets are taking a different view.

They seem to believe that Sweden will tighten fiscally, whoever comes to power in September, otherwise bond yields would almost certainly be higher than they are, given the size of the country's budget deficit in relation to GNP.

The budget did contain some encouraging news, particularly evidence that the budget deficit and borrowing requirements are falling by more than was expected.

The budget deficit for the

year beginning July 1 is esti-mated at SKr150bm, or 9.7 per cent of GNP, while the borrow ing requirement is put at SKr195bn In the current fiscal year, the

deficit is predicted to be SKr198bn and the borrowing requirement SKr240hn Optimists about the Swedish

bond market say the cyclical component of the budget deficit is much greater than the structural one, which means the deficit will fall relatively quickly as the economy recov-Heartened by recent infla-

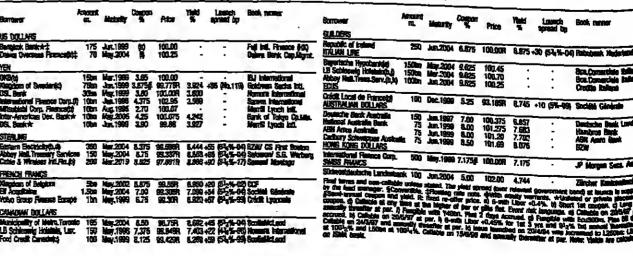
expect the currency to strengthen, as the economy improvas, allowing further interest rate cuts. Pessimists remain to be convinced on the inflation score. They also doubt that Sweden can achieve the 3 per cent a year growth it needs between

tion projections, the optimists

1996 and 1999 to meet its target of stabilising public debt at 45 per cent of GNP. The play-off between the two factions almost certainly guarantees continued volatility in trading over the next few weeks. The crucial elements in the equation will be developments in the German market and the position adopted by

foreign traders.

NEW INTERNATIONAL BOND ISSUES



異点を集ま

#### **EQUITY MARKETS:** This Week

1,580

1,570

sector.

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813.63

6/5/93 3,520.30

29/4/93 3,978.36

29/11/93 20,677.77

24/5/93 2,267.98

17/5/93 2,355.93

16/6/93

1,575 ....

23

Source: FT Graphita

April 1994

equities could begin to decouple this

pressure, warns Strauss, and that scenario has historically seen equities rising while bonds fall. The markets

week if, as expected, the local elections deliver a drubbing to Mr

This could put sterling under

have been slow to discount the

been another adverse factor for

property shares. The sector has

since mid-March as stock market

investors have stubbornly refused

to believe in a recovery in property

yields, continues to urge clients to

BZW is still highly negative on

which is underperforming retail and industrial property and likely to

continua to do so, according to BZW'a

problem of over-renting in London and the South-east and believes the

The UK investment bank sees Asda

LOW

3/1/94 2,020.33 : 2/3/94

2/2/94 2,081.94 .. 31/3/94

588,85 :10/1/94

Source: FT-Graphtle

31/3/94

4/4/84

4/1/94

Property Holdings showing attractive

net asset value on the back of strong

1993 capital growth rates on both its ratail and industrial holdings.

2/2/94 3,086.40

31/1/94 3,593,35

16/3/94 17,369.74.

27/4/94

the outlook for UK office property

Mr David Nighy. He identifies a

sector still under-rates the

valuing properties.

significance of obsolescence in

be underweight in the property

shares. But BZW, warning that while

rental growth prospects remain weak

the sector cannot decouple from bond

political factor.

The setback in bond markets has

shown a relative decline of 6 per cent

John Major's government.

FT-SE-A All-Share Index :

Terry Byland

### **Investors** wary ahead of April jobs data

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The calendar this week is dotted with important economic readings, culminating with Friday's report on April employment trends. Anticipation of that data is likely to influence the direction of stocks in every session up to its release.

With the Federal Reserve tightening monetary policy, and its next move to higher interest rates expected any day, the mood is wary. The flat reaction yesterday morning in a seemingly favourable report from the National Association of Purchasing Management suggested further declines were likely as the week progressed.

"Greenspan [the Fed chairman] told us basically in February to watch for any scrap of inflation information we can find, so that's what we are doing," says Mr Donald Straszheim, of Merrill Lynch in New York.

Mr Straszheim is forecasting that payrolls increased by 140,000 in April. a gain consistent with second-quarter economic growth of about 4 per cent. But what if business was so robust last month that employers took on even more workers? "The psychology will be one-sided," he says. "I cannot imagine a weak number being terribly troublesome, but a very strong one

surely will be." The inclination to accentuate the negative has been apparent in recent sessions. On Thursday, equity investors were disappointed by the drubbing taken by bonds on the announcement that first-quarter GDP had grown at a weaker than expected 2.6 per cent in the first quarter. Many were apparently convinced the economy had quickened once the

harsh winter weather lifted. Another factor was two worrying readings on prices included in the report. They hit bonds like so many

MDICES AT A GLANCE

FT-SE TOO.

Dow Jones Ind.

Closing

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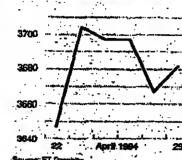
19,725.25

2,245.98

DI ige



Frank McGurty



buckets of cold water. "The inflation figures scared people and so they figured the Fed is going to lean even heavier on the brakes and abort the recovery," says Mr Alfred Goldman, of AG Edwards in St Louis, Spooked by the prospect of tighter money,

equity investors ran scared, too. Or did they? Sure, the Dow Jones Industrial Average fell 31 points. But the more broadly based Standard & Poor's 500 was only marginally lower. The breadth of the downturn, with 1,275 declining issues against 973 advances, was unremarkable.

"In my opinion, stocks handled a very weak bond market very well. except for the Dow," says Mr Don Hays, market analyst at Wheat First Butcher & Singer in Norfolk. He characterises the session as "neutral" pointing out that each successive sell-off in the series since the Fed began raising rates has been milder

that the previous one. Mr Hays expects another significant decline in the next two or three weeks, probably when the Fed decides to tighten again. "That will be the next little test of the market," he says. But in the intermediate term, the analyst is bullish, predicting a big upturn soon thereafter.

Mr Goldman holds much the same view. "I'm looking for three or four more weeks of backing and filling - up a little, down a little - but basically building a base for an interim rally going into the summer."

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### **Decoupling** hopes face another test

LONDON

Hopes for a decoupling of UK equities from global bond markets will be put to the test again this week in a confused looking stock market. Market strategists are asking why, with increased dividends appearing on all sides, with investors and even the Confederation of British Industries more relaxed on the base rate outlook, with inflation subdued and the market alive with hid speculation, equities cannot perform better.

"Above all else, equities need gilt market stability," commented Edmond Warner at Kleinwort Benson Securities. This is easier said than done, in a market which can still move through a range of more than 1 per cent because the European and IS bond markets remember that the Federal Reserve may tighten credit again soon.

From this point of view, there are at least some signs of a change of step. On Friday, equities remained relatively steady in spite of overnight weakness in the US, at least until the sudden excitement in the dollar pushed all other considerations into the background and put the Federal bond market back in the driving seat.

Kleinwort Benson remains cautious on the influence on equities cast by the bond markets, which Mr Warner believes relates to the re-rating of future dividend flows following the dramatic fall in bond yields during the recession; the problem was compounded by disappointing corporate earnings. He fears that equities may be "condemned" to a long period of consolidation while investor portfolios readjust and warns that, even if decoupling is on the way, the transition could be painful. At Strauss Turnbull, Mr Jan Harnett suspects that bonds and

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#### OTHER MARKETS

#### AMSTERDAM

The Netherlands goes to the polls today and a change of government is expected. Lehman Brothers says that it would be unrealistic to expect swift, radical changes in Dutch politics. Nevertheless, all the serious contenders for a share in governmental power advocate reductions in government

expenditure, along with cuts in the cost of real labour and the share of labour in national income.

Lehman save the extensive reforms of government expenditure should be good news for financial markets. Bond markets should react favourably to renewed efforts to reduce hudget deficits but on balance, there is probably greater scope for reaction in the equity markets. DSM, the petrochemical group is

expected today to report a return to profit in the first quarter of 1994 after two loss-making quarters in the second half of 1993. Analysts expect net profits before extraordinary items of Fi 15m-50m. against FI 6m in the first quarter

Philips appoinces first-marter results tomorrow. Hoare Govett forecasts a 52 per cent rise in earnings per share, with higher sales compensating for negative price effects and earnings to be positively influenced by currency effects and lower financial charges.

#### FRANKFURT

Last week's surprisingly large cut in the repo rate to 5.47 per cent was very encouraging, says James Capel which notes that over the past two weeks, the rate has fallen by nearly as much as the April 14 discount rate reduction. The broker says a smaller decline in the repo is likely at tomorrow's tender, although the scale of recent falls bodes well for a further cut in the discount rate, probably at the May 26 Bundesbank meeting. Schering has its annual

shareholders meeting tomorrow. The drugs group said last month that sales rose 21 per cent in the first two months of this year and forecast earnings for the year would at least match last time's DM254m.

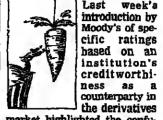
#### MILAN

INA, the state insurer, meets today to prepare the ground for its privatisation which is scheduled for late June. The Italian Treasury has not said

exactly how much of the insurance group it plans to sell, although INA executives have said they hoped at least 51 per cent would be offered. The company is seeking a listing in Italy and the US.

#### RISK AND REWARD

### Need for greater clarity on creditworthiness



introduction by Moody's of specific ratings hased on an institution's creditworthiness as a counterparty in

the derivatives market highlighted the confusion in over how far existing ratings take account of derivatives activities.

Moody's approach is only one way of tackling an increasingly troublesome issue, which now affects industrial companies and fund management compa-nies as well as financial insti-

Mr John Kriz, associate director of Moody's, says the agency addresses the effects of derivatives activities on creditworthiness in its existing debt ratings, hut greater precision is needed by participants in tha derivatives market.

He notes that many market participants apply existing ratings of an eotity's deht as if they were general ratings of the entity's creditworthiness. This assumes a debt claim is on a par with a derivatives counterparty claim," he warns. "Looking at a debt rating as a proxy has pitfalls. The question is whether they ere going to honour a financial contract: its a specific type of claim."

He also points out that many eotities are not rated at all, but may be members of a group whose affiliates are rated. People often attribute a rated affiliate's rating to an unrated affiliate. This can lead to extreme misjudgment.

Standard & Poor's, Moody's greatest rival, introduced counterparty ratings in 1991, because of the broadening use of derivatives. However, unlike Moody's, S&P only assigns these ratings on request, arguing that the full co-operation of management is needed for the process to be meaningful.

As a result, S&P has rated only about 50 counterparties. (Moody's, on the other hand, plans to assign counterparty ratings to more than 1,000 securities firms, banks, central

governments, insurance companies, pension funds, industrial companies and others in coming months.)

"We do find that our existing deposit ratings - assigned to around 450 banks around the world - are used as proxies for counterparty risk," said Mr Cliff Griep, executive managing director, financial institutions at S&P.

However, there are legal differences between the two, he warns, especially in the US, where there is a depositor pref-erence law which "puts the depositor in a slightly stronger position than other senior creditors in liquidation"

The gap, he says, is likely to be greater for lower rated enti-ties, where liquidation analysis is a more important component

of the rating process.

Meanwhile, IBCA, which specialises in rating financial institutions, takes a different approach, assigning a broad credit rating to each entity (rather than to its long-term debt or deposits).

"I think our view has always been that ratings are not just for issues. If you look at the financial condition of an entity you can come out with a risk assessment for that entity." says Mr Charles Prescott, director of IBCA.

The rating agencies are striv-ing to satisfy the growing appe-tite for credit information in the derivatives markets, heightened by a spate of large losses on derivatives positions, in particular the \$1hn hit which nearly bankrupted German giant Metallgesellschaft.

The importance of the Moody's ratings, and others which factor in derivatives exposure, is set to increase but the task of assigning them accurately is becoming increasingly daunting.

Since many of the losses suffered in the derivatives markets have been the result of breaches of internal controls, it is hard to see how rating agencies could have factored the notential for such losses into the rating process.

Tracy Corrigan

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# **EniChem**

#### Invitation to present offers for the purchase of the share capital of EniChem Augusta SpA

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EniChem SpA, with e fully paid-up shara capital of Lire 4,250 billion, having its registered office In Milan, Piazza delle Repubblica, 16, and antered in the Companies Register in the Tribunel of Milan, number 293559, intends to receive and evaluate offers for the acquisition, by a single party, of 84.25% of the share capital of EniCham Augusta SpA (of which 60% is owned by EniChem SpA, 13.05% by Chamfin SpA and the remaining 11.20% by Sofid SpA), or of e lesser amount of shares provided that such amount represents a majority interest in the company.

EniChem SpA will also consider e combined offer eubmitted by a restricted number of parties acting together. EniChem Augusta SpA has a paid-up capital of Lire 120 billion and is emong the leading producers of detergent intermediates in the world. It operates principally through controlling shareholdings in a number of companies with production facilities in Italy end abroad. The group also has research facilities in Italy.

draft accounts epproved by the board of directors of EniChem Augusta SpA on 21 April 1994). In this transaction EniChem SpA will be advised by M&A Società di Mergers & Acquisitions SpA (M&A), a wholly-owned subsidiary of Swiss Bank Corporation, to whom ell enquiries should be referred. Interested parties

was Lire 793 billion; the workforce at 31 December 1993

consisted of 1,139 employees (the data are taken from the

M&A\* SOCIETÀ DI MERGEIS & ACQUISITIONS S.P.A. Swiss Bank Corporation

M&A Società di Mergers & Acquisitions SpA Via Manzoni, 43 - 20121 Milen (Italy) Tel: (39-2) 29002089, Fax: (39-2) 6599217 Mr. D. Levi, Mr. J. Jones

This announcement is directed exclusively at limited liability companies. Interested parties may request in writing, by letter or by fax sent to M&A at the above address, a copy of the information memorandum on EniChent Augusta SpA. This document will be sent to companies which, at the sola discretion of EniChem SpA, are considered suitable to

be admitted to the sale process and which have returned a copy of the confidentiality letter validly signed by their euthorised representative, together with a description of their activities, an indication of the rationele for the proposed acquisition, and a copy of their annual raport end accounts for the last three years, no later then 20 Mey 1994. Intermediaries of eny kind will be required to reveal tha identity of thair principals.

This appouncement constitutes an invitation to present offers and not a public offering under the terms of article 1336 of the Italian Civil Code, nor a solicitation for public saving under the terms of section 1/18 of Law 216/1974, as subsequently

Neither this announcement nor the receipt by EniChem SpA of any offers will create on the part of the latter any obligation or commitment to sell to any bidder, nor does it confer on any bidder any right of whatever kind to any other action or performance on In 1993, the consolidated turnovar of EniChem Augusta SpA the part of EniChem SpA, including the payment of advisors' fees. EniChem SpA reserves the right to withdraw from negotiations at any stage and without giving reasons therefor without Incurring any obligation of whatsoever kind.

In the event of any discrepancy, the Italian text of this announcement will preveil over that published in any other languega. This ennouncement and the sale procedure ara subject to Italian lew. The Court of Milan will have axclusiva jurisdiction in the evant of any dispute.

This announcement has been approved by Swiss Bank Corporation on behalf of EniChem SpA. Swiss Bank Corporation makes no representation or warranty es to the information's accurecy, completeness or correctness. This announcement is for information purposes only and should not be construed as an offer to buy or sell securities in any jurisdiction. It is edressed to persons who are authorised persons or exempted persons within the meaning of the Financial Services Act 1986 or any order mada thereunder, or to persons of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) Examption Order 1988 (as amended).

Swiss Bank Corporation in the United Kingdom is a member of The Securities and Futures Authority and the London Stock

# HAPPY 10<sup>TH</sup> BIRTHDAY!



FT-SE 100 INDEX **FUTURES & OPTIONS** 

For further information about the FT-SE 100 Index futures and options contracts and LIFFE's other equity products, call LIFFE's Equity Products Department on 071-379 2441.

The London International Financial Futures and Options Exchange

### **ANZ**Bank Australia and New Zealand

Banking Group Limited
Australian Company Number 005 357 522
(Incorporated with limited liability in the State of Victoria, Australia) U.S. \$300,000,000

Perpetual Capital Floating Rate Notes

For the six months 29th April, 1994 to 31st October, 1994 the Notes will carry an innerest rate of 4.775% per arrum with an amount of interest U.S. \$245.38 per U.S. \$10,000 Nore and U.S. \$6,134.55 per U.S. \$250,000 Note, payable on 31st October, 1994. Listed on the Luxembourg Stock Exchange

Bankers 1145. Company, London

Agent Bank

Lavoro Bank Overseas N.V. ECU150,000,000

Floating Rate Guaranteed Notes due 2000

For the sax months 29th April, 1994 to 31st October, 1994 the Notes will carry an interest rate of 5,96875% per parama with an interest amount of ECU306.73 per ECU10,000 Note and ECU7,668.19 per ECU250,000 rable on 31st Ocrober, 1994.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Agent Bank



# Captivation with China by proxy

Does the downward correction in Asian markets during the first quarter mean a hasty end to foreign investors' enthusiasm for them?

Almost certainly not. Most economies are still set fair for such substantial growth that it will be hard to ignore them.

The Asian Development

Bank, which begins its annual meeting in Nice today, predicts 7 per cent growth rates for loping Asia this year and next. The region's expansion appears to some extent self-

Mr Satish Jha, the ADB's chief economist, says Asia has become "its own most important and rapidly expanding market".

The intra-Asian share of Asian exports rose from 37 per cent in 1986 to 47 per cent in 1991, with the proportions for imports rising from 48 per cent to 55 per cent respectively.

Times conference on Asian capital markets in London last week, Mr Jha cautioned however that Asia's self-sufficiency should not be over-stated. A considerable amount of

intra-regional trade was within individual industries for example, a Japanese company shipping parts for assem-bly to e subsidiary in south-

east Asia. destined ultimately for sale in

the west, so "Asian countries

may be more dependent on

**CURRENCY MARKETS** 

Many "exported" goods were

than the trade data indicate". Nevertheless, the "flying geese" sequence of complemen-tarity between Asian economies, with richer countries shifting manufacturing capacity to poorer ones, still has some way to run.

Each rapidly growing country has a growing middle class with rising expectations as consumers. And most have huge domestic savings yet to be mobilised.

Add to that the growth which could be released by further liberalisation in China. India, and even relatively edvanced countries such as South Koree and Taiwan, still beset by bureaucratic con-

Mr Edward Kim, general manager for international finance of Korea Development Securities in Seoul, told the FT conference the reforms of President Kim Young-sam - provided they overcome entrenched opposition from the Korean establishment – will put pressure on local companies to operate more efficiently, causing consolidation through mergers.

But they will significantly reduce the government's control over the private sector and will foster economic prosper-

Given these prospects for Asia, there will be plenty of value to seek in stock markets,

even though portfolio weight-

Ten best performing stocks Companhia Cervejaria (Pfc) Telebras Tolmex Brazil Brazil 0.2303 0.0500 0.0276 Grupo Finaciero Banamex (C) Grupo Finaciero Banamex (B) Telebras (Pfd) 6.7278 6.0612 0.0356 26.13 1,2496 25,72 10.0153 8.0532 2.9560 1.9369 1.5545 23.54

Mr Hugh Peyman, Singapore

based managing director of Kleinwort Benson Research

(Asia), summed up those condi-

tions as transparency and effi-

ciency of markets, regulators

who sought to develop rather

than inhibit markets, good

flow of information, and new

newer markets which remain immature and illiquid, and

some which are so mature that

adapting to the new world is

Mr Robert Lloyd George,

chairman of Lloyd George

Management, e Hong Kong-based fund manager, said for

example that investors had dif-

ficulties in trading stock dur-

ing the recent shake-outs in

India presents the higgest

the Philippines and Indonesia.

problems, despite which it is

currently the pet of many fund

managers who salivate over its

6 000 listed stocks and huge

FT GUIDE TO WORLD CURRENCIES

There are still a number of

favour of the industrialised The question is not whether

to invest, but how and where to find good value. Most Asian markets showed big rises last year, but in terms of cash invested it was largely

a China boom. According to the US Securities Industry Association, net US purchases of Asian stocks doubled in 1993 to \$17bn. Of this \$6.1bn was in Japan and an astonishing \$6.2bn in Hong Kong, with \$1.3bn in Korea. This left only \$3.4bn for all other Asian markets combined.

with China and their use of Hong Kong as its proxy.

The SIA figures are also, however, e reminder of the relative small size of other markets - and thus of their potential, given the right conditions,

for growth.

The figures underline US

investors' sudden captivation

Lloyd George, who saw India as "the emerging market of 1994," nevertheless listed the headaches as inefficient custodian banks, over-long settlement periods, slow registration of shares, and a requirement for a capital gains tax audit before repatriation of funds Leaving aside these prob-

lems, how do you select stocks? Even though there is now a

wealth of research material on need is still for information. Disclosure requirements of many exchanges are far from stringent. There is plenty of insider dealing, even in rela-tively advanced countries.

Most difficult of all, investors may not be confident that, even with a set of accounts which looks completely intelligible, they really have a handle on e company's operations. This is because of the opaque nature of many Asian husiesses, particularly the largest conglomerates.

investors will naturally tend to look for the Asian companies which are the global forces of the future. There is a

growing list of candidates. Mr Mark Mobius, Hong-based director of Templeton Investment Management, divided Asian multi-nationals into two basic types: the Japanese/Korean model, and the Chinese. Among characteristics he

anthoritarian management styles, emphasis on size rather than profitability, and conse-quently – since all are competing to be big - a tendency towards over-capacity and price wars.

Conglomerates run by ethnic Chinese in both "greater China" and south-east Asia are perhaps more difficult for the investor to fathom. Many are using the fruits of success to diversify into unfamiliar businesses and territory. They tend to have both listed and unlisted arms, which tend to do a lot of business with each

Control is often in the hands of one man, which may lead to group making some risky bets. Companies are inscrutable to investors because "too often the only person who knows how money is moving around the multitude of companies is the patriarch," Mr Mobius said.

But such companies can hardly be ignored. In Indonesia, for example, Mr Mobius noted that the Salim Group run by Mr Liem Sice Liong is estimated to account for 5 per cent of the economy. For a man with \$5bn under manage ment Mr Mobius was refreshingly candid, even resigned,

about the risks. It was difficult not to be tempted to fund expansion of companies which had already

Al kelicas in 5 terms, January 7th 1992-100, Source; Bering Socurities

been successful.

**News round-up** 

#### Venezuela

It was a volatile week in the country's capital markets after the resignation of Mrs Ruth de Krivoy, the governor of the central bank, following disagreements over monetary

The appointment of a new governor, Mr Antonio Casas González, does not necessarily provide an end to the difficulties, according to some analysts.

Mr Victor Galliano of Latinvest in London commented that the key issue was whether the new governor would exercise independence. However, Mr Galliano added that the finance ministry had indicated that it was not willing to reduce interest rates until inflation was down inflation currently stands at about 50 per cent annualised - a factor which lay behind

Mrs de Frivoy's resignation. Turkey Istanbul's composite index closed the week 18 per cent down as the market was

buffeted once again by

rating on the country'e

Standard and Poor's cut its

negative news.

Equities in Colombo recorded their sharpest ever one day

fall last Friday on worries over political and economic uncertainty. The all share index shed 4.3 per cent. investors have been unnerved by the victory of opposition parties in local government elections at the

long-term currency debt to

downgrade and an ongoing review for a further potential

downgrade reflected growing

balance-of-payments pressures.

Attention has now turned

economic officials in Ankara

to the IMF which is meeting

this week for talks on a

standby agreement.

Sri Lanka

B-plus from BB. S & P said that the

external liquidity and

end of March. Share prices have been falling after the market gained some 40 per cent in the first two months, According to IFC

data, Sri Lanka remains 14 per cent up in dollar terms since the beginning of the year.

 Further coverage of emerging markets appears daily on the World Stock Markets page.

# Treasury set to defend dollar

This week could see battle joined between the foreign exchange market and the US Treasury in a manner reminiscent of the the ERM dislocations in

The difference this time is that it will be the dollar that is the focus of attention. Last Friday the Fed had to step in, et the behest of the Treasury, to prevent the US currency falling to a record low below Y100.

The central bank's efforts were successful in preventing the dollar from testing its all time low of Y100.30, but few are confident that the market will

not again test Y100. Friday provided the first evidence

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that the Treasury does care about the fate of the dollar. Previously, the market believed the US administration favoured a stronger ven as a means of exerting pressure on the Japanese government to enact fiscal and trade

Just how much the Treasury is prepared to spend supporting the dollar remains to be seen. Market accounts suggest that fairly small sums were spent on Friday. Analysts believe that considerably more will have to be spent if the market is to be kept at bay.

Apart from the activities of the Fed. dollar watchers will have some substantive economic data to chew on the

release on Wednesday of the Tan book, setting out the economic background to the May 17 meeting of the Federal Open Market Committee, and payrolls data

on Friday. The market is expecting further tight ening of policy from the Fed, but it is doubtful whether economic data supportive of this stance will help the dollar. There has been little evidence in recent months that interest rate differentials have played much of a role in the market's view of the dollar.

Elsewhere, sterling is vulnerable if the Tories, as predicted, suffer heavy losses in Thursday's UK local elections. This will renew speculation about the future of Mr John Major, prime minister. Uncertainty is likely to persist at least until next month's European elections, where Tory prospects are pre-

dicted to be even worse. The chancellor and the governor of the Bank of England meet for their monthly monetary policy discussion on Wednesday, but there is little expectation of this producing any change in interest rates

In the Netherlands, opinion polls suggest the roling Christian Democrat-Labour coalition may lose its majority in today's election. This is not expected to effect the guilder's close link to the

Index	29/4/94	Week on week	k movement Percent	Month on month	movement Percent	Year to date Actual	Perce
World (239)		9.45	6.58	-3.95	-2.52	-15.41	-9.1
Latin Americs						4.4	T.
Argentina (19)	105.59	7.06	7.17	-0.66	-0.62	-9.79	-8.4
Brazil (18)	145.15	21.48	17.37	-41.34	-22.17	5.50	3.9
Chile (12)	168.86	8.78	4.18	10.42	6.58	21.32	14.4
Mexico (22)	139.45	15.57	12.57	-3.70	-2.58	-21,81	-13.5
Latin America (71		14.91	11.90	-11.18	-7,38	-8.99	0.8
Europe							
Greece (14)	93,28	3.21	3.57	-3,99	-4.10	10,18	12.2
Portugal (13)	124.51	-0.70	-0.56	-8.06	-6.08	12.39	11.0
Turkey (22)	52.02	-20.18	-27.95	-13.84	~21.01	-109.69	-67,8
Europe (49)	98.82	-3.15	-3.09	-7.71	-7.24	-13.42	-11.9
Asia							
Indonesia (17)	140.26	2,20	1.59	-8,53	-5.73	-30.79	-18.0
Korea (23)	123.61	4,43	3.72	8.56	7.44	13.91	12.6
Malaysia (21)	213.96	4.42	211	18,18	9.29	-39,09	15.4
Pakistan	148.58	-6.07	-3.92	-12.39	-7,70	3.05	2.1
Phillippines (9)	272.32	6.94	2.61	11,25	4,31	-50.18	-15.5
Thailand (20)	209.15	-2.23	-1.06	5.88	2.89	-54,41	-20.6
Talwan (29)	145.90	-1.73	-1.17	11.25	8,36	-7.81	-5.0
Asia (119)	192.94	2.20	1.15	11.52	6.35	-28.47	-12.8

### FRIENDS PROVIDENT NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 161st Annual General Meeting of Friends' Provident Life Office will be held at Glaziers HALL 9 MONTAGUE CLOSE, LONDON BRIDGE, LONDON, SEI 900. ON WEDNESDAY 25TH MAY 1994 at 2.30p,m. to transact the

(1) To receive the Accounts and Balance Sheet for the year ended 31st December 1993 and the Reports of the Directors and Auditors thereon.

(2) To re-elect as Directors of the Office the following Directors, Michael McIluish

The Rt. Hon. the Lord Jenkin of Roding (3) To elect the following Directors who have been appointed since the last Annual General Meeting: David Newbigging, O.B.E. Barbara Thomas

(4) To re-appoint Price Waterhouse as the auditors to the Office

(5) To propose as special business:

"THAT for the purposes of Rule 41 of the Rules of the Office the limit on the aggregate amount which Directors shall be entitled to receive as remuneration for their services in each year be increased from £200,000 to £300,000."

By Order of the Directors, B.W. Sweetland 3rd May 1994

Friends' Provident Life Office. Pixham End. Dorking, Surrey RH41QA

(n) A Member is entitled to appoint another person (who need not be a Member) to attend the above meeting and vote instead of

(b) To be valid the instrument appointing a proxy, which should be as near to the form set out in rule 30 of the Rules of the Diffice as eircumstances admit, and the power of attorney or other authority if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Pixham End, Dorking, Surrey, RH-1 IQA, not less than forty-eight hours before the time fixed for holding the meeting, or adjourned meeting, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll.

(c) Proxy forms may be obtained on application to the Secretary (d) Members intending to attend and vote personally at the

(c) Only Members are entitled to vote. Certain policyholders are not Members. If a policybolder who is not also a Member completes and returns a form of proxy, it will not be counted.

(g) Members are entitled, on application to the Secretary, to receive a copy of the Report and Accounts.

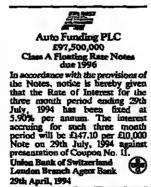
Daily Gold Fax - free sample rom Chart Analysis Ltd.

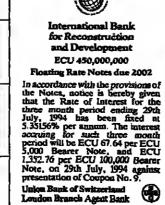
LOW COST SHARE DEALING SERVICE 081-944 0111 OMMISSION LEON \$10 MINIMENTO





Excel Korea Fund plc U.S. \$35,000,000 Floating Rate the six month Interes Period 28th April, 1994 to will carry an Interest Rate of 6.125% per annum with an Interest Amount of U.S. \$31,135.42 per U.S. \$1,000,000





27th April, 1994

		£ STG	US \$	D-MARK.	YEN (X 100)		E srg	fizi t	D-MARK	YEN (X 100)		PTS 2	US S	O-MARIC	CX XOCH
Mathematica	(Algheri)	2570.65	1695.34	1023.1	1670.55	Gerrible (Delesi)	14,9441	9,8056	5,9476	9,7116	Pridates (Pak. Rupes)	46.2768	30.5195	18,4176	30,0733
Spanie .	(Chican)	166.05	108.51	980.30	107,909	Germany (D-Mark) Ghana (Cedii	25126	1-967	555,718	1.6328	Paretria, (Balbon)	1,5163	2.1	0.6034	0.9853
igarie ndomi	(Fr Fr)	54.3345 8.6128	35,6336	21,6248 3,4277	35,3097 6.5969	Ghara (Cedi) Gibrattur (Gib 1)	1396,50	0.6596	0.3979	907.395 0.8498	Paraguny (Guerra)	2714,10	0.95 1789.95	1060.2	1767.78
ERICALE.	(Sp Peests)	204,701	136	81,4597	133,026	Greece (Drachma)	368,537	243.05	146,675	239,496	Peru Plew Sol	3,3101	2,153	1 3174	2.151
ngole	Diew Kwarza)	51476.86	33949	20487.5	334NZ B	Greenland (Dunleh Ximpe)	9.8578	8.5012	3,9233	8,4001	Philippines (Peec)	41,7574	27,535	18.6766	27,1324
mgya.	(E Cerr S)	4.0757	2,6879	1,8227	2,6486	Granada (E Car S)	4,0757	2.6979	1.6221	2,6488	Pitceim in (2 Starling)	1,00	0.6595	0.3970	0.0490
Penting.	(Peso)	1.5156 2.7020	0.9995 1.7819	0.8031	0.9849 1.7558	Guadaloupe (Local Fr) Guarri (US S)	8.6126 1.5163	5.88	3,4277 0.6034	5.5969 0.9853	NZ S	2.6300	1.7344	1.0467	1.7091
otrolia.	(Florin) (Aug 5)	2.1263	1,4018	0.8458	1,3671	Guetemata (Quetza)	8.7364	5.7610	3,477	6.6774	Polend (Zloty) Portugal (Escudo)	33707,4 258,633	22230 170.7	1341 <u>5.3</u> 103,014	21905
strie	(Schilling)	17,8155	11,8174	7.0109	11,4476	Guinea (Fr)	1474.30	972.301	566,783	958,064	Puerto Filco (US 3)	1,5163	170.7	0.6034	0.9863
UTOS.	(Part Escudo)	258,533	170.7	103.014	168,204	Guirag-Bisses (Peso)	16545,76	12232.9	7382.29	12054	Cather (Filys)	5,4950	3,6239	2,1000	3.5700
	•					Guyera (Guyerasse S)	197,775	130.433	78.7132	128.525					
namen	(Behama S)	1.5163	1	0.6034	0.9853	Half (Goszte)	18.1140	11,9461	7.2092	11,7715	Plaunion ès. de la (F/Pl) Pionania (Leob	8.6126 2493.66	5.08	3.4277	5.5000
faralis	(Diner)	0.5717	0.377	0.2275	0.3716	Honduras (Lemptre)	11,5828	7.8256	4.6019	7.5141	Phranda (Fr)	216.20(2)	1634,72 142,584	992,554 80,0453	1670,67 140,498
ionic is	(Sp Peents)	204,701	135	81.4697	138.026	Hong Kong GK 5)	11.7127	7.7245	4.6516	7,6110					
motsciech	(Takes)	59,8939	3.95	23.8374	38.9224	Hungary (Forint)	158,421	102.5	01,8596	101.001	St Christopher (5 Carr 5) St Holena (0)	4.0757	2,6679 0,6596	1.8221	2,6490 0,8498
rbecios loken	(Berb 3) (Belg Fr)	9.0361 61.7216	2.0023 34.11	1,2083 20,5848	1,973	iceland (colendic Krons)	107.60	70.8622	42.8241	69,8245	St Lucia (E Car S)	4.0757	2,6879	0.3979	2.6488
Street 1	6.5	3.0190	1.991	1.2015	1.9819	India (Indian Rupes)	47.5006	01.5674	18.9265	30.9058	St Please (French Fr)	8,6126	5.66	3.4277	5.5999
mit	(CFA PI)	861.260	668,004	342,778	559,686	Indonesia (Rupish)	3269.00	2156.5	1301,4	2124.87	St Vincent (E Cerr 2)	4.0757	2.6878	1.6221	2.6490
mude	(Bonnucium \$)	1.5163	1	0.6034	0.8853	Iran (Riel) Iran Branj Dinar)	2634,00 0.4717	1757.12 0.371	1045.32 2.1877	1711.72 2.3065	San Marino (Italian Lika)	2410.23	1589.56	958.257	1000.3
ngan.	(Ngutrum)	47.5625	01.3074	18.9265	30.9088	trieft Rep (Purd)	1.0282	0.0787	0.4096	0.0000	Stro Torne (Dobret Strad Ambie (Rivati	362.28	238,924	144,185	235.4
ilvia Itauena	(Ballylanc)	6.9998 3.9749	4.5889 2.0214	2.7009 1.5819	2,5831	Jarmel (SZnelect)	4.5505	3,001	1,811	2,9671	Sonogel (CFA Fr)	5,8864 861,260	3,7501 568,001	2.2631 342,776	3,0953
ari	(Pole) (Cruzeko Reel)	1974.53	1302.4	785.971	1263.26	Starty (Lical)	2410.23	1569.55	959.257	1588.3		7.6883	8.0572	3.0519	4.9632
unoi.	(Brunel S)	2.3579	1.555	0.9384	1,5322	Jamaica: Liamaican Si	49.8135	32 RS2	10.8254	32,3716	Sierra Lacrie (Leone)	087,962	572,421	345,444	584,031
gerie	(Lov)	96.85	56.618	34,1677	66,7902	Japan (Yer)	153,882	101,485	61.2441	100,001	Singapore (5) Slovalda (Koruna)	2.3579	1.555	0.0384	1.5322
ridno Fitti		861,200	568,007	342,776	559,695	Jorgen (Jordenien Diner)	1.0674	0.0099	0.4224	D.6897		49.0125	32,5234	19.5064	01.8507
mae rundi	(Burundi Fri	9.4760 386.85	8.2457 255.194	3.7709	6,1673 251,482	Kenya (Kenya Shilling)	91.41	80.2849	36,3806	59,4034	Solomon is Si	4,9016	133,516	80-5739	181.584
region.	(Octuber 11)	330.03	200.184	13-004	231,402	Kirtheti (Austration S)	2,1253	1,4010	0.8456	1,3811	Sotnell Rep. (Shiffing)	3854,90	3,2322 2608.28	1.9505	3.1849 2570.12
			3494 3			Korne North (Worl)	3.2454	21403	1.2915	2.100	South Africa Plance	5.3332:	3.5205	2.1245	1.410
mbodie. Mercen	(CFA FY)	5283.25 561.260	568,001	2102.7 342.778	3433.26 659.666	Korea South (Worl)	1224.72	807,703	487,451	785,893		7.01299	4.825	2,791	4,5573
rede.	(Canadan S)	2.0947	1.3514	0.8338	1,3612	Kuwait (Kuwaiti Dinas)	0,4490	0.2967	. 0.179	0.2923	Spain (Peesta) Spanish Ports in	204.701	135	81.4697	153,026
nery is	19p Posstar	204,701	135	61,4597	133.026	Lace (New Mich	1086.84	718,773	432.556	700.297	N Africa (Sp Poestr)	204,701	135	A	133,026
. Verde	(CV Encudo)	131.214	86.6015	52.2621	85.2353	Labric (Labrica (Labr	2563.31	0.5801	0.338	0.5616	Sri Lanks (Ruppe)	73.0434	48.765	29.4288	48,0078
yrpen is nt.Air. Re	(CIS)	1.2378	0.8163 568.001	342,778	0.8043	Lebenon (Lebenose E) Leboho (Makel)	5.3382	1690.5 3.5205	1020.10 2.1246	1665.79	Suden Rep (Diner)	45.7954	30.8516	18.6242	30,4163
aci	(CFA Fr)	861,260	568.001	342,778	559,596	Liberian Si	7,5163	1	0.6034	3.469	Surrum (Guider)	2.0945	1.777	1.0723	t.75t
do .	(Citienn Pecc)	648.323	428.26	257.233	420.010	Libye (Libyen Ciner)	0.4772	0.3147	0.1800	0.3101	Sweden (Litergree)	5.3362 11.5969	3.5205	2.1245	3.400
ra.	(Yuan)	13,1686	8.0848	5.241	8.6577	Liechtonemin (Swins Pr)	2,1342	1.4075	0.8468	1,3669	Switzeriend (Fri	2,1342	7.6494	4.5162 0.8493	7.5376
dombia S <b>4</b>	(Ca) Peec) Stoubles	1289.07 0.8527o	838,952 0,5059	0.3433	824.714 0.5808	Lithuania (Litera) Luxumbourg (Lux Pr)	6.0380 51,7216	3.982 34.11	2.403 20.5546	3.9332	Syris (2)	30,9448	20,408	12.3158	20,1026
•	Acres	2778.62m	1882.5	1105.87	1805.71						Tahwari (5)	40.0455	26.41	15.9378	26,0006
Profes	(CFA Fr)	881,260	568,001	342.778	659,696	Macao (Patacit) Macaonescar (NAS Pr)	12.0457 2792.55	7.9441	4.7941	7.8279	Tonzania (Shilling)	765.32	504,729	304,593	497.349
	EZZ) (CFA Ft)	861.200	568,001	342,778	\$59.666	Macielra (Port Escucia)	258.833	1841.69	103.014	1814.76	Theliand (Settle)	38.1805	25.16	15,1956	24,6116
ets Pice to Choice	(Colon)	232.90 661.200	153,596 668,001	92.6828 342.776	151.352 539.690	Molevel (Kwache)	10,4158	6.869	4.1453	6.7686	Togo Rep (CFA Fr) Tongo is (Pa Ange)	861.260	565,001	342,776	550,600
de Constitution of	Dingr	9303.05	6135.36	2702.56	6046.65	Malauraia (Rinoció	4.0622	2,679	1.6167	2.6396	Tongs is (Pa Ange) Trinkind/Tobaco (Sa	2.1253 8.3025	1.4016	0.8458	1,9611
be	(Cuben Pesci	1,1493	0.754	0.455	0.7429	Malicho la (Rubje) Mali Rep. (CFA Pr)	16.8867	11,1249	6.7136	10.9622	Tunkin (Diner)	1.5500	5.4753	3,3042 0,6168	1,0072
Drus	(Cyprus E)	0.7667	0.4683	0.3007	0.401	Make Girken Lice	861.260 0.5819	569,001 0,3637	342,776 0.2315	0.3781	Turkey (Line)	52356.3	34550.1	20850.2	34044.9
toh Rep.	(Korunti) (Canish Keonsi	44.2580	29.1881	17.6144	28.7613	Martinique (Local Fr)	8,6126	5.68	3.4277	5.5909	Turks & Coloos (US S)	1.5163	ı	0,0034	0.7057
bould Rep	(Danish Krone) (D)(b) Fr)	9.8578 268.95	5.5012 177,373	3.9233 107.041	6.40 <del>8 (</del> 174.779	Mauritania (Ougulya)	184,793	121,871	73.5465	120.066		2.1253	1.4016	0.8456	1,3611
minica	E Camb S	4.0757	2.6879	1.6921	2.6456	Mecritius (Maur Rupos)	Z7,2480	17,97	10.5445	77.7079	Ugende (New Shilling) Ukraine (Carbovenste)	1483.08	978.091	590.257	963,78
eninican A		19,6290	12,9914	7.84	12,8015	Mexico Bristian Perci	4.9553 6.6126	3.2890 6.88	1.9733 3.4277	3.2221 6.5960	U.A.E (Cithern	19336.76 5.5564	12752.6	7605.80	12500.1
hador	(Sucre)	3077,570 3270,33e	2029.86 2156.78	1224,97	2000.18 2125.25	Moneco (French Fr)	8.6126	5.68	3.4277	5.5969	United Kingdom (f)	1.00	3.8057 0.5585	0.3979	3,8121 0,8488
work	(Egyptien 2)	\$.1103	3,3702	2.0338	3,3200	Mongolia (Tugrilo)	903.60	398,206	240.309	302.384	United States (US 5)	1.5163	1	0.6034	0.8053
ypt Selvador	(Colors	13,2081	8,7107	5.2567	8.9633	Monteerat (E Carr S)	4.0767	2,6679	1.6221	2.6486	Uruguey (Peso Urugunya)	7.2154	4,7585	2,5716	4.6200
wat 7 Guin	M (CFA Fr)	861,260 20,0640	568,001	342,776	559.596	Morocco (Dirham) Mozembique (Metical)	14,0021 6492,60	9,2343	5.5727		Varantu (Veta)	176.801	116.6	70.3657	114,896
tonia.	(Kroon)	20,0640 7,4669	13,2453	7.9933 2.9578	13.0517				3380	5518.06	Vatican (Limit	2410.23	1589.55	969.257	1566.3
Nopie.	(Ethiopian Birr)	7,4000	4,9178	235/8	4.5450	Nambie (S.A. Rund) Nauru le (Australien S)	5.3382 2.1253	8,5205	2.1245	3.450	Venezuele (Bollver) Venezuele (Donos	180.970	119.35	72,0049	117,805
						Nepri Siepilese Rupeti	74.3420	1,4018 49,0291	0.8458 29.688	1,3511	Virgin is-British (US 5	16514.Q 1.5163	10891	6372.47	10731.7
Midand is	(Falk 1) (Dental) (Falk 1)	1,00	0.8585 6.5012	0.3979 3.9233	0.5496 6.4061	Natherlands (Guilder)	2.8197	1,8596	1.1222	48.3122	Virgin to-US (US 3)	1.5163		0,8034	0.9653
rge le i is	2 E2	9.8578 2.2588	1,4898	0.8086	1,4878	Wad Antillee (A/Guilder)	2,7020	1.7819	1.0763	1.7509	Western Servon. (Taie)	3.8409	2,533		
riend	(Marida)	6,1415	6.3095	3.2403	5.291	New Zoolend (NZ 8)	2,8300	1.7344	1.0467	1.7091	Yemen (Rep of) (Flee)	88.30a		1.5280	2,406
dince		8.6126	5.58	3.4277	5.5080	Nearagus (Gold Cordoba)	9.9423	6.5560	3.9569	6.461	Yerner Step of Chart	66.3UR	56.2338	35,1428	67.3643

# Free flights to Japan.

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President Ion Iliescu: interview and profile.....Page iii

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# ROMANIA

Foreign policy: Middleweight with a mission.....Page IV

Tuesday May 3 1994

# A wounded country strives to rebuild

There are grounds for hope that the winter of 1993 was a low from which recovery has since begun. Anthony Robinson and Virginia Marsh report

regimes across cen-tral Europe collapsed in the fateful sutumn of 1989. Unlike the bloodless "velvet" revolutions elsewhere in Soviet dominated Europe, the transfer of power came violently. Confused days of fighting in the streets came to a climax in the hail of bullets that killed a loathed tyrant and his evan more hated wife, after a Christmas Day trial by a kangaroo

Since the execution of Nicolae and Elena Ceausescu, which ended a 24-year reign of tragic absurdity, the 23m inhabitants of this beautiful, potentially prosperous bnt deeply wounded countryhave been coming to terms with their painful inheritance.

The task has been compli-cated by a political transition that left many from the old regime in positions of power, and the absence of s period of reform before the abrupt change of government. While Hungary, Poland and even the Soviet Union were experiment ing with market mechanisms and pluralistic political structures, the last decade of the Ceausescu regime was a period of increased megalomania, repression and intellectual iso-

Behind the screen of a pervasive and brutal security service, the securitate, the Ceausescu regime decided to repay all foreign debt, while building a presidential palace of pharaonic proportions, and stunning bad taste, in the heart of historic Bucharest.

Productive investment for industry and infrastructure was halted for the best part of . the departure of Mr Roman a decade, health and education. budgets were slashed and food and raw materials were exported. Romanians went

omania was the last and work places. Living stan-to fall as communist dards, already the lowest in Europe apart from Albania, plunged as debt was paid off and the architectural beart of Bucharest was ripped out.

It is hardly surprising in these circumstances that the euphoria over the bloody downfall of the Ceausescu clan was replaced so soon by a sense of disorientation and dis-may, as the full extent of the psychological, spiritual and physical damage to the nation

became clear.
Perplexity began with the emergence of Mr lon Illescu as head of the National Salvation Front which assumed power in December 1989. He had been a leading figure in the previous regime before be fell out with Ceausescu in the late 1970s, but he was elected president with an overwhelming majority in May 1990. He was reelected in October 1992, even though many Romanians held him responsible for the ram-page of bundreds of coalminers through Bucharest only three weeks after the May 1990 elec-

The failure of Mr Petre Roman, the prime minister, and his young reformist colleagues to resign in protest against the miners' bloody assault on intellectuals and selected opposition leaders, weakened the position of the younger generation of political leaders. They had the courage and energy to begin the reform process against daunting odds, but were dismissed in September 1991 after a second miners' excursion to the capital.

Mr Iliescu, a shrewd, if cynical, judge of his countrymen's political awareness, increased his own grasp on power after and was re-elected president with quasi-Gaullist powers in the 1992 presidential elections. At the same time his party, the

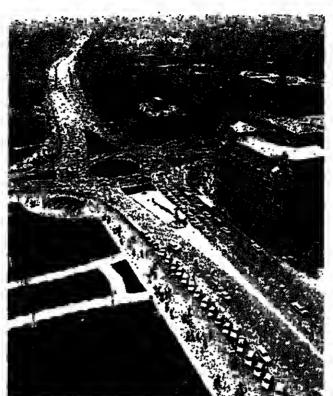
Romania (PSDR), was confirmed as the linchpin of the political system. It won 28 per cent of the votes cast at the parliamentary elections, compared with the 27 per cent share won by the Democratic Convention (DC) – a loose 18-party coalition of the centreright, including the ethnic

Hungarian party.
The coalition is headed by Mr Emil Constantinescu, an academic. Mr Roman's hived off National Salvation Front, since renamed the Democratic Party, won 10 per cent. After the elections, the president tried to put together a grand coalition government to pro-vide a stable parliamentary platform for the difficult reforms required to restructure the economy and create the middle class needed to underpin social progress.

The move was repulsed by the "democratic" opposition, and Mr Iliescu's political allies in the PSDR were obliged to accept a parliamentary alliance with the Socialist Labour Party (the renamed communist party) and two zenophobic nationalist parties.

he nationalist bedfellows are the Romanian National Unity Party (RNUP) led by Mr Gheorghe Funar, the anti-Hungarian mayor of the ethnically mixed Transylvanian city of Clui, and Romania Mare, the ultra-nationalists led by Mr Corneliu Vadim Tudor.

The president picked Mr Nicolae Vacaroiu, a former middle-level hureaucrat from the communist central planning bureau, as prime minister. The result has been a mediocre government of drift. and indecisiveness, while talent has drained abroad or into the private sector, which has been steadily growing despite hungry and lived miserable Democratic National Salvation the slow pace of formal privati-Front, since renamed as the sation. The emergence of half a



Bucharest: the architectural heart of the city was ricoed out

million small private enterprises is one of the most encouraging signs of renewed economic vitality.

But, with political power mainly in the hands of men over 50 brought up in the communist school, foreign investors have held back. International financial institutions have also delayed granting the loans that are so badly needed to finance structural modernisation and infrastructure development

There are grounds for hope that the winter of 1993, when the Leu sank to record levels against the dollar and inflation reached an annual rate of nearly 300 per cent, was a low from which recovery has since begun. If this is so, it is largely due to steady pressure from the international financial institutions and Mr Mugur Isa-

Bank of Romania, who appears to be backed by President Illescu himself.

The central bank's tight monetary policy has led to the emergence of positive real interest rates, a stronger Leu, a sharp decline in inflation and a convergence between the black market and official foreign exchange rate.

The convergence has allowed a free-floating foreign exchange system to be established which will meet one of the International Monetary Fund conditions attached to the granting of a new standby

On April 5 the World Bank board approved a \$175m loan



for a netroleum sector project. The bank also disbursed the \$180m second tranche of a structural adjustment loan last month and is prepared to lend around \$400m annually over

Such lending, which is condi-tional on continuing privatisa-tion and on market reforms, will be backed up by additional funding from the European investment Bank and the European bank for Reconstruction and Development (EBRD). The latter has been particularly active in Romania, especially in helping to finance the com-

mercial banking system. At the same time, there are signs of growing foreign investor interest in Romania, which is the second largest country in the region after Poland and possesses considerable natural resources including oil, gas, fertile soil and s largely untapped tourist potential.

Romania has an association agreement with the European Union, enjoys a restored most favoured nation (MFN) status with the US and proximity to Middle East markets. It is also a member of the the potentially fast-growing Black Sea

Only \$800m of foreign equity investment has flowed into Romania over the last four years, small beer for a country which is the largest in the Balcompany. kan peninsula. Hungary, with only 10m people but a sophisticated business class and market infrastructure, bas

stablished investors include Shell, Amoco,
Enterprise Oil and
Canadian Occidental, who are busy exploring both on-shore and off-shore oil and gas deposits, and European and US consumer goods multinationals such as Coca-Cola, Colgate Pal-molive and Kraft Jacobs Such-

attracted more than \$5bn in

The government, prompted by Mr Mircea Cosea, the minister for economic reform, is introducing new legislation which offers especially attractive terms to those investing over \$50m in the country.

The first to benefit from the new law should be Daewoo, the South Korean industrial group, which plans to invest more than \$1bn in a series of pro-

The biggest is a \$156m car assembly joint venture with Olcit, formerly the assembler of Citroen models under licence from the French car

But much hangs on the gov-ernment's ability to convince Romanian entrepreneurs and the international financial institutions and investors that it is fully committed to speeding up the pace of privatisation, reducing the dead weight of over-sized and obsolescent industries and encouraging the emergence of more efficient private farming and privately run service and production

With real incomes an average 40 per cent below the already pathetic levels of 1989. and unemployment destined to rise well above the current 11.5 per cent of the work force, the patience and fortitude of ordinary Romanians have been dangerously stretched.

A way still has to be found to bring into government and economic management a younger generation less marked by the the communist past and more receptive to the needs of an open society and competitive economy.

#### Chrystia Freeland and Virginia Marsh explain a two-sided economy

# Twilight of the monoliths

Bucharest's monument to omy has emerged which now Nicolae Ceausescu's megaloemploys more than a quarter mania, the People's Palace, is so vast it is visible on satellite

It devoured as much as 10 per cent of the country's GNP during the 1980s when many of Romania's 23m inhabitants lived in the dark after 10p.m. because electricity was rationed while average food consumption was among the lowest in Europe.

Yet less than half a mile away from the People's Palace, and the socialist moonscape which surrounds it, once elegant pre-war buildings adorn narrow streets bustling with busy side-walk cafes and window shoppers cheerfully edmiring high-heeled shoes

The People's Palace and the re-emerging retail districts embody the two disparate omy, now locked in a struggle over the future of a country which has the potential to be the economic engine of the Balkans.

On one hand, Romania is still a bostage of Ceausescu's particularly brutal brand of socialism, the most austere and centrally planned in Eastern Europe apart from Albania. Under Ceansescu. Romania pursued a particularly pig-headed version of socialist autarky. It focused on heavy industry, which rose to 59 per cent of industrial production, and the construction of the monolithic factories beloved by central planners.

In 1990, factories employing more than 2,000 people accounted for nearly two thirds of the workforce.

This legacy of unwieldy heavy industry, the sector which all post-communist countries have found most difficult to reform, means that in many ways Bucharest's economic dilemma bears more resemblance to the difficulties faced by the former Soviet republics to the east than those being resolved by the Visegrad countries - the Czech Republic, Hungary, Slovakia and Poland - on Romania's

western flank. In the four years since the fall of Ceausescn's regime. bowever, a private sector econ-

of the nation's labour force and dominates agriculture, traditionally Romania's main-

Since the collapse of the iron Curtain in 1989, Romania has returned to its historic place at the back of the East European pack. While neighbouring Hungary and nearby Poland and the Czech republic last year reduced their double digit inflation, Romania's prices rose to an annual infla-tion rate of 295 per cent. It was a sad relapse for a

country that, in the immediate aftermath of the Ceausescu regime, established a framework for market reforms among the most impressive in Eastern Enrope. "Petre Roman's administration, the first government after the revolntion, brongbt creative destruction. The second gov-ernment, under Theodor Stolo-

otaged by the government's failure to improve financial discipline on loss-making factories and to introduce positive interest rates Frightened by the prospect

of byper-inflationary free-fall and hobbled by the refusal of the International Monetary Fund to extend new credits until Bncharest proved its ability to impose financial discipline, Romania now appears to have a second chance.

The tight monetary policy pursued by the country's technically polished central bank over the past few months appears to be working. Interest rates, highly negative for much of 1993, are now determined by weekly credit auc-tions and are strongly positive. By mid-April sbort-term rates had risen to the equivalent of several bundred per As a result, inflation fell

There is still a danger that the blighted economy could undermine the country's promising macro-economic stabilisation

head of a new Greek-Romanian bank, backed by the European Bank for Reconstruction and Development. launched last month. "But the third, current administration of Mr Nicolae Vacaroin brought stagnation," he adds. The administrations led by Mr Roman and Mr Stolojan, which lasted until the September 1992 elections, privatised agricultural lands, began price liberalisation and introduced the legal framework for mass privatisation of Romania's 6,300 state enterprises. But the

jsn, introduced rigour,"

explains Mr Dan Pascariu,

mer communists and right wing nationalists was formed under Mr Vacaroin's stewardship after the elections. Mass privatisation, vigor-ously pursued in Poland, the Czech republic and even Russla, bas hardly began in Romania. The government is still talking about establishing a stock exchange later this

year. Macro-economic stabilis-ation, which appeared within

seeds of reform have lain fal-

low since the coalition of for-

sharply over the first quarter of 1994 to less than 7 per cent a month by March before a blip caused by higher domestic energy prices. The flerce squeeze on short-term interest rates has helped the central bank converge the official exchange rate with the black market rates, while rising exports have helped to boost serves. This combination bas helped create the pre-conditions for internal convertibility of the lei to move from the realm of theory to practical

implementation There is still a danger, how-ever, that the hlighted economy inherited from Ceausescu, and the slowness in imple-menting structural reforms at the micro level, could under-mine the country's promising macro-economic stabilisation.

The question Romania will face over the next few months - a local version of the issue which dominates all debates about reform in post-commu-nist economies - is the extent to which a tough and successful macro-economic policy can overcome, or perhaps serve as

The immediate ontlook is fairly gloomy. At the heart of the problem is the manner in which loss-making state enterprises, dominated by heavy industry and the energy sector, have evaded the central bank's tight monetary policy by amassing enormous interenterprise arrears which are believed to exceed 4,200bn lei (\$2.5bn), more than the entire budget expenditure in 1993.

Prevented by positive interest rates from subsidising their inefficiency by borrow ing money from the banks. large state enterprises bave continued to conduct business as usual, with one exception. Instead of paying each other, they have become wrapped in an obscure web of inter-enterprise indebtedness.

"In normal countries bankers speak of MO, MI, MZ and M3." moans Mr Razvan Temesan, the chairman of the Banca Romana de Comert Exterior. But bere in Romania we bave invented another category: M-question mark', representing the unquantifiable inter-enterprise

arrears." This increasingly shaky pyramld of inter-enterprise arrears will, within the next few months, compel Bucharest to address the tough question at the beart of market reforms. Will it bail ont the loss-making giants, and shatter the country's fragile macro-economic stabilisation? Or will it allow the mountain of deht to come tumbling down, dragging with it spendthrift factories and risking high unemployment and social

A report written by McKinsey, the management consultancy, in 1993 suggested that 130 enterprises were disproportionately responsible for most of the country's eco-nomic woes. Were the government to restructure forcefully or close down these monoliths, some of Romania's economic angst would dissolve. But systematically demolishing the heavy industrial structure would require a political will the nation's ex-communist leadership has yet to demon-

Continued on Page 2





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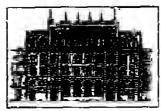
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# Success story needed

Reformers are hoping that this summer's planned public offer of up to 10 state companies will re-launch Romania's privatisa-tion programme which last year ground to a halt after becoming the focus of political battles between reformers and

We hope to involve as many people as possible in the public offer and to create a critical mass behind privatisation after a year of inactivity," says Mr Adrian Nitu. vice-president of the Private Ownership Fund (POF) in the western Banat Crisana region, one of six funds which own and manage the 6,300 companies earmarked for privatisation under a 1991

"We've deliberately chosen

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers

very attractive firms - our first choice is a furniture company as we badly need to give the public a privatisation success

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers - distributed free to all adults in 1992 for shares in state compa-

The vouchers, or Certificates of Ownership, represent the population's 30 per cent share in the 6,900 companies and are beld by five regionally-based POFs. The state's remaining 70 per cent is held by the State Ownership Fund (SOF) in Buc-

The aim is to follow up the public offer with the launching of a stock exchange later this year. A securities commission has already been set up, under the aegis of the finance ministry, while in March, parliament finally began to discuss the securities law, drawn up with Canadian help in 1992.

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The public offer and stock exchange projects are among the first joint projects in which all bodies involved in privatisation - namely the six funds. the government's economic reform council and its co-ordinating body the National Agency for Privatisa-tion - have co-operated.

Relations between the different groups were tense last year, partly due to the appointment of Mr Emil Dima, a conservative senator in the ruling Social Democracy party, as president of the SOF.

Under Mr Dima, the SOF last year pursued management and or employee buy-outs as the main method of privatisation, invested privatisation proceeds in decapitalised, loss-making state companies, sat on plans to close down or restructure large, highly unprofitable enterprises blacklisted by the government, appointed party loyalists to company boards and management, and refused to decentralise power to the POFs as provided for under the

privatisation law. The result was that just 250 mainly small companies were privatised, well short of the initial target of 800-1,000; the rate of foreign investment in Romania dropped and, in 15 months, the SOF went through three general managers who were either sacked by Mr Dima or were unable to get along with him.

However, since the appointment of Mr Constantin Dumitru in February, the situation has improved. Mr Dumitru, 54, a commu-

nist-era deputy minister of machine-building, appears determined to make the privatisation scheme work and to have more political clout than

He is co-operating closely with the POFs on the public offer and has worked out a draft mandate giving the five funds the right to negotiate sales of 100 per cent of compa-nies on behalf of the SOF. He has also signed an agree-

ment with the European Bank opment under which the bank will analyse 25-30 mediumsized companies, short-list 10-12 and appoint a western merchant bank to find foreign

foreign trade.

The private sector already

employs more than a quarter

ture - and comprises more

than half a million companie

or registered entrepreneurs

however, have now accumu-

lated enough capital from trade to move into production

or services. Mr Mike Hicks,

deputy head of the EBRD's

Bucharest office, says that in

the past two years the bank has looked at private sector

projects in, for example, ceram-

ics, glass, wood, furniture, bak-

eries, mineral water bottling,

yoghurt-making, tourism, con-

struction, computer software,

vate sector is most active in Transylvania, Romania's ethni-

cally-mixed western province,

and in Constanta, the Black

Mr Hicks says: "Romanians

are natural entrepreneurs...

Good people are moving from

the state sector into private

business. The private sector

has its own dynamic - there is

definitely an impetus building

tor projects are too small for direct EBRD participation. The

bank has therefore opened

credit lines at local banks for

lending to small and medium-

sized companies and for pro-

It has also taken equity

stakes in three new local banks

which concentrate on private

sector lending. These include

the Ion Tiriac Bank, set up by

the Romanian-born tennis star,

and a joint venture with Wasserstein Perella, the US

But private entrepreneurs

say high taxes, prohibitive

interest rates and limited

access to credits are starving

them of capital for medium or

down 300 per cent annual infla-

tion but it forced many small,

private husinesses to shelve

more stable macro-economy

and greater efforts to privatise

or restructure loss-making

state companies will free more

The hope is that in 1994 a

investment plans.

long-term investments.

jects in agriculture.

boutique bank.

Sea port and tourist region.

Outside the capital, the pri-

plastics and textiles.

Many private companies,

and family associations.

Mr Nitu of the Banat-Crisana POF, however, fears privatisa-tion will remain highly politicised. He says the POFs' recently-appointed new boards, are "small parliaments", representing a cross-section of the

political spectrum. He points out that Mr Dima mains head of the SOF, even though asked on several occasions by the government and reportedly also by President Ion Iliescu to make a choice between being a senator and

Mr Dumitru savs unco-operative managers are one of the biggest obstacles to privatisation

SOF president. He is also concerned by plans to extend the MEBO methodology to medium-sized and large companies. The fear is this will enable the former communist nomen klatura at the head of state companies to retain control of much of the economy. Mr Dumitru says unco-operative managers are one of the biggest obstacles to privatisation.

There are also many corruption cases involving company officials. Typical frands include managers or their friends and family setting up private trading companies to handle a state company's inputs and output. Huge profits can be mada by ovarcharging the state company for its raw materials and underpaying for

its goods. Analysts fear such companies account for a not insignificant part of Romania's emergprivate sector which, in just four years, has risen from nearly zero to contribute 25-30 per cent of GDP, 55 per cent of

### Slow reforms threatened

THE UNIONS

We have a saying in cat's tail in stages. That is force - mainly in agriculwhy we must implement market reforms more rapidly. says Miron Mitrea, a well-dressed, well-built, chainmoking man.

"I very, very strongly sup-port privatisation - the faster,

Equally, ardent followers of the market can be found throughout eastern Europe. But coming from Mr Mitrea, who also supports the central bank's tight monetary policy, praises the toughness of the International Monetary Fund and is not overly worried

Romania's two leading trade unions held a national strike to protest at the government's failure to privatise more rapidly

about unemployment, these accolades for economic reform have a distinctly surprising

ring.

For Mr Mitrea is the president of the CNSLR-Fratia, which, together with the Alfa Cartel, Romania's other main trade union block, represents 5.5 million people - more than half of the country's work-

Dismal television pictures of coal miners from the Jin valley brutally beating student protestors in June 1990, won trade unions international notoriety as the rough enforcers of an ex-communist government's continued rule.

Romania's two leading trade unions are strong advocates of market reform, and at the end of February held a national strike to protest the government's failure to privatise more rapidly or to reform the social security system. But Mr Mitres, who was en

engineer in a construction company before the 1989 revolution inspired him to organ ise the truck drivers in the company into a trade union which they elected him to lead, is afraid that the sluggisb pace of reforms in Romania may be wearing out the patience of rank-and-file

"The attitudes of our membership towards economic reforms are changing in a neg-ative way, and we, their leaders, do not know what to do about it," Mr Mitrea said.

Three years ago it was easy form. Reform meant a good economy and good jobs.
"Now our members say this 'good economy' is good for

nothing. Although Mr Mitrea is confident that in the short-term the union's progressive leadership will prevail over the populist incts of some of its members, he worries that eventually Romania's unions might

If that does happen, Mr Mitrea will probably no longer be in charge. Mr Mitrea, who many

believe will opt for a career in

turn against economic

<del>2010 100</del> KEY FACTS

NE I I		
Area Population Head of State Currency Average Exchange rate Average Exchange rate	1992 <b>\$</b>	., Ion liteacu xmanien Leu 1=307.95 fel
ECONOMY	1992	1993
The second second	5,982	18,835
Total GDP (bn lel)	-15.4	+1.0
Average infistion rate (%)	210.4	256.0
ind production growth 1%)	-23.3	+1.3
Gross external debt (\$bn)	3.5	4.5
Reserves minus gold (\$m)	826	1,005
Govt. budget balance (%)	-3.6	-2.0
Current account balance (Son)	-1.5	-1.3
Exports (\$bn)	4.4	4.5
Imports (\$bn)	5.6	5.2
Trade balance (5m)	-1.2	-0.7
Main trading partners (%) '	Exports	imports
Germany	13.9	15.9
Russia	4.3	12.7
	40.0	44.0
Note' Percentage shares of trade in 19	93.	
Sources: Romanian Government, IMF,	EIU.	

politics, is pushing for the entire leadership of the union. including himself, to resign to make way for a new genera-

"War needs one kind of gen

eral, pence needs a different kind," Mr Mitrea says. Our revolution is over, but by nature I am a war general.

Chrystia Freeland

Profile of an entrepreneur

# A fighter's comeback

Teodor Nachescu's career as a Corporate and income tax top communist boss came to rates are 45 per cent and up to 60 per cent respectively, while an abrupt end in December 1989 when angry workers turned him out of Arls, the in the autumn, lending rates soared to 180 per cent at the central bank's weekly credit machine-building factory in Arad which he had headed for auction. The move was an emergency measure to bring tha last ten years of the

> It did not take long for the 50-year-old engineer - a self-proclaimed fighter - to make a comeback.

Within months, he was using the entrepreneurial skills which he had gleaned while at Aris, one of the town's two

largest firms, to set up his own

Today, he heads one of the most successful private groups in Banat, Romania's western-

most region. Avi Floria, the company he set up with his own small savings and those of 14 like-minded individuals in 1990, now has an annual turn-over of Leil.8bn (US\$1.4m) and more than 100 shareholders. Its interests range from pig and fur farms to a laboratory providing scientific analysis for farmers and a share holding in the town's recently established

commodities exchange. "I was more prepared than others in 1989," he says. "With Aris. I had the chance to travel and to see how companies in western countries worked...l became convinced that a system based on state property could not lead the economy

forward." Like many of eastern Europe's most successful entrepreneurs, Mr Nachescu and his partners started in trada in order to accumulate capital for production.

Taking advantage of Arad's close proximity to the Hungarian border, in 1990 Floria began to barter Romanian fertilisers, wood, furniture and machines for food, car batteries and agricultural machinery imported from Hungary and the west. By the autumn of 1991, the com-

Mr Nachescu says he went into agriculture and agro-business because of the comparatively small initial investment needed

pany had raised enough funds to set up its first chicken farm and a metal-welding workshop. Mr Nachescu says he went into agriculture and agro-business - one of the sectors most frequently targeted by new pri-vate firms - because of the comparatively small initial investment needed, and because be was sure there was a big market for food in

Romania. He started with

chicken-raising because of the quick turnover.

Every seven to eight weeks, Floria's farm outside Arad produces 90,000 chickens of L5kg average weight, raised from one day chicks. Mr Nachescu says his prices are the lowest in Banat and that although Floria is smaller than stateowned chicken companies, it already has a 15 per cent mar-

ket share in the area. Plans for this year include a Lei200m investment in a new 25,000 head pig farm and an animal feed plant. He had hoped to invest more this year but last autumn's interest rate rise to 120 per cent a year has forced him to cut back.

Now he is considering applying for a dollar loan with single digit interest from the local Banca Agricola. This operates \$170m in credit lines for small farmers on behalf of the World Bank and European Bank for Reconstruction and Develop-

Virginia Marsh

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Twilight of monoliths Continued from Page 1

strate. Even if, as seems likely, Romania's crippled industrial giants are allowed to continue lumbering along, the private sector is already beginning to come to the nation's rescue Some of the most bopeful developments are in the countryside, where 80 per cent of land has been privatised, albeit in a chaotic fasblon described elsewhere in this

The other point of light, or more precisely half a million points of light, is provided by the new businesses which have emerged since 1989. Although only 1 per cent of the state economy has been sold off under privatisation, Romania now boasts 500,000 private

The private sector will receive another boost if the government makes good on even a fraction of its promise to the IMF to privatise 2,000 companies by the end of 1994. Under the leadership of its new boss, Mr Constantin Dumitru, a communist era deputy ter, the State Ownership Fund, which currently owns 70 per cent of state enterprises

and is responsible for selling it

off, is gearing up for mass pri-

vatisation this year. If Mr Dumitru, who has shown he bas the political muscle to coerce his erst-while colleagues, pulls off his ambltious plans, Romania's Stock Exchange will have something to trade. That would be a boon for a country which many insiders believe bas vast, untapped capital resources.

Lacking a better ontlet Romanians bave poured their money into shady schemes such as the Caritas pyramid scam, which collapsed earlier this year, or have taken it

Mass privatisation and the creation of a stock exchange would give them an opportunity to make legitimate investments in their own country, like their Polish and Czech

Romania's nascent bourgeolste is confident that, willy nilly, market reforms will take root in their country. "Reforms will go ahead in

the long run no matter what," explains Mr Pascariu. "We are in a narrow corridor and are being pushed forward, some-times despite ourselves. There might be zig zags in our course, but our destination is clearly a market economy."

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PROFILE: President Ion Iliescu

# Convert to capitalist ways

since it shed the Stalinist-style cult of personality which characterised the Ceausescu regime But the forces of continuity

HISDAY MILL

Section 2

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remain strong and the post-Ceausescu constitution leaves many key powers in the hands of the president and commander-in-chief, including the choice of a prime minister.

Ultimately, the back still stops with the president, which for the last four years has meant at the desk of Mr Ion Iliescu in Cotroceni, the former royal palace on the outskirts of

Mr Iliescu, who is also the eminance grise behind the left-wing ruling party, the recently re-named Party of Social Democracy of Romanemotional roots in the commu-

Like many of his generation, however, he appears to have undergone an intellectual conversion to the virtues of privatisation and capitalist development as e more efficient and less damaging instrument for achieving the social and political development which he once thought would be delivered through Marxism.

Mr Iliescu's father Alexandru was e leading member of the communist youth movement in Romania's small pre-war communist party, and the president himself was a senior figure under Nicolae Ceausescu before being sidelined in the early 1970s as the dictator rid himself of potential rivals.

After 18 years of semi-obscurity, latterly as the head of e lon liescu: emotional roots in the communist past state-owned publishing house, Mr Iliescu re-emerged at the bead of the self-appointed National Salvation Front in December 1989 after angry crowds forced Ceausescu to flee Bucharest in a doomed escape bid.

The re-emergence of a key figure from the distant communist past rather than someons clearly identified as an opponent of the previous regime, still rankles with many Romanians who hoped for a clearer break with the old regime. But such was the degree of social and political control under Ceausescu that few Romanians were untainted by some form of collaboration with "the power" and no one else emerged to challenge the polit-

by Mr Iliescu. Since the chaotic early days of the post-Ceausescu period, Mr Illescu has consolidated his position and his legitimacy by winning two presidential elections. He resembles his Ukrainian counterpart, President Leonid Kravchuk, another professional politician trained in the hard school of communist

His background gives him a shrewd grasp of the realities of

power in a country of great regional variation, ethnic and cultural complexity, and, perhans above all, a fragmented opposition and poorly developed civil society. But Mr Iliescu's greatest good fortune is his 18-year estrangement from power. This permits him to share the anger of millions of Romanians for the humiliation and waste of the Ceausescu

Looking back on his predecessor he recalls "an uneducated man who became more and more suspicious", especially after his Asian tour in 1971 when he became fascinated by Kim Il Sung (the North Korean dictator). Mr niescu, who accompanied Ceausescu on his procession around Asia says: "I opposed his plans to emulate the Korean model, arguing that it was simply not possible to treat human beings in this way, to

suppress their humanity."

coming to the conclusion that such managed change was beyond the grasp of a weakened and demoralised Soviet Union. Mr Iliescu declines to be

drawn into e discussion of whether "the revolution" of December 1989 was part of a planned neo-communist restoration similar to that attempted, unsuccessfully, in east Germany. Asked whether the events of 1989 were a revolution or a palace coup he replies that "it was e process determined by objective factors", before launching into e list of reasons why perestroika failed in the Soviet Union.

It is likely that Romanians would have been spared much suffering and indignity had Mr Ceausescu clan been in charge for a quarter century. Romania would probably have developed along the lines pioneered by Janos Kadar, the post-1956



But, looking back at the evolution of his split with Ceausescu, the president concentrates on the mid-1960s, a tims when Romania started taking an foreign policy line independent from Moscow and. together with Czechoslovakia, was in the forefront of moves

to try and liberalise the Stalinist economic and political Mr Diescu was an enthusiastic supporter of such reform in the 1960s, but he draws a veil over the 1950s when he was picked out for rapid promotion by Ceausescu, then in charge of party cadres, after ruthlessly

conducting a purge of politically and socially "unreliable" university students. In the 1950c Stalinist methods were still universally practised, even by the successors who partially debunked him. But Mr Iliescu's track record as a "reformist" in the years leading to the Prague spring was known to the "reform communists" sur-rounding Mikhail Gorbachev.

In the late 1980s Moscow

sought to replace the old

Brezhnevite leaders of Warsaw

Pact Europe with like-minded

"new men", before reluctantly

leader of Hungary's "goulash communism". But then Mr Diescu would almost certainly have shared the fate of other communist leaders in 1989 when the Soviet leadership lost its will to retain the Red Army's wartime acquisitions in central Europe. Instead, Mr Iliescu returned

to the centre of power after the Ceausescus were conveniently

On several occasions since then Mr Iliescu has demonstrated his willingness to employ the iron fist, notably when the Jiu valley coalminers were called in to intimidate political opponents in June 1990 and September 1991. Mostly, bowever, this mean a wily politician whose sensitive antennae and smiling avuncular image allows him to appear as the guarantor of stability in a potentially volatile

After e lengthy period of indecision following the 1992 elections he recently emerged as a supporter of the tougb monetary and fiscal policies required to gain the backing of financial institutions and foreign investors.

In a long interview he under lined his support for economic

policies which satisfy the lending institutions but which havs led to several potentially threatening protest strikes in recent months. "There is a danger that people's patience will snap. Four years ago all applauded the return of liberty. but standards of living have fallen, unemployment has risen and many now question the value of democracy. But I think the worst is now over," he says.

'Last year we removed subsidies, introduced VAT and other taxes and inflation soared to nearly 300 per cant. But inflation was down to 5-7 per cent a month over the first two months and we are liberalising the foreign exchange market."

"Meanwhile the collarse of industrial production has been reversed, exports are rising and this year we shall benefit from higher foreign investment and new loans from the IMF. World Bank and other institutions," he adds.

The president, like several of his ministers, criticises the international institutions for dragging their heels. "When we needed their help most they were very reluctant and conservative. Now the situation is better and the co-operation is excellent, but we would heve preferred help when we needed it most." he says.

But those close to the World Bank - opposition critics like Mr Petre Roman and Mr Adrian Severin and even economic advisers to the president himself - blame the government's slow-down of privatisation, its failure to close or downsize persistent heavy loss makers among the biggest state-owned industries, and a general ambivalence about market reform for "18 wasted months".

Now, even the fiercest critics acknowledge that Romania again has an opportunity to move ahead with economic reform amid thus far desultory efforts to form a parliamentary pact between the ruling party and the opposition so as to underpin the reform process.

The attempt to form a government of "national unity" in Romania failed 18 months ago and the price has been a slowdown in the pace of reform afford.

It remains to be seen wbether better use will be opportunity which has emerged with the evolution of an economic policy framework acceptable to the international institutions, and relatively encouraging for the private

Mr. Iliescu was interviewed by Anthony Robinson, Virginia Marsh and Chrystia Freeland.

#### Virginia Marsh reports on Romanian politics

# Same team is still in charge

After winning the sympathy of millions around the globe who watched the 1989 Christmas revolution on their television sets, Romanians confounded their newfound western friends by electing former communists to power just five months

Four years on, the same team, grouped behind President Ion Iliescu, is still in charge, having won general elections in 1990 and 1992 despite its dubious political tactics, notably the use of coalminers to intimidate or assault opponents on several occasions in 1990 and 1991.

However, even President Iliescu's most fierce rivals recognise that, under his lership, Romania has undergone great political and economic changes albeit at e sece slower than many would have

"The team which hijacked the revolution from the young generation has been forced to eccept several democratic changes such as e multi-party political system, a free press and the right to hold demonstrations," says Mr Cornelin Coposu, e 77-year-old former dissident who heads the National Peasants Party, mainstay of the Democratic Convention

(DC), the main opposition group. Since narrowly winning the September 1992 elections, President Illescu's party, now called the Party of Social Democracy of Romania (PSDR), has sought to change its image as e group of unreformed, unrepentant communists by co-opting younger members and espousing market-led reforms.

"The challenge is to combine the experience of the old with the imagination of the young," says Mr Adrian Nastase, 43, the former foreign minister who became executive president of the PSDR last year.

To this end, the party has begun talks with the Democratic Convention and the Democrat Party, the other main opposition group which is led by Mr Petre Roman, Romania's first post-revolution prime minister, and which has become the standard-bearer of International Monetary Fund and World Bank-backed

The talks are aimed at broadening parliamentary support for the PSDR minority government which relies on three small former communist and extreme nationalist parties to reach a slim 53 per cent

The bope is that a political pact will make parliament more effective after a year and a half in which internecine battles over often minor issues have held up important reform legislation such as the bankruptcy and securities laws. Few, however, believe the talks will be

successful in the near future, despite opinion polls indicating popular disenchantment with the PSDR government.

According to Irsop, a local market



Copoeu, 77, heads the National Passants Party

research organisation, most Romanians perceive the government as lacking direction, moving too slowly on many key reforms and acting to protect its own interests rather than those of the country. Irsop polls indicate that two thirds of the population would like to see the opposition form a government or take part in

a coalition with the PSDR. Despite the government's breakthrough this spring with the IMF, the opposition says the ruling party still has no clear reform stretegy and remains hald together only by allegiance to President Ion Iliescu and by the desire to stay in power. PSDR members, they say, cover too wide a political spectrum to formulate coherent policies.

The opposition has conditioned any

The opposition is pushing for western European-style subsidiarity

political pact on the exclusion of the PSDR's extremist allies, the Socialist Labour Party (SLP), the former communist party, which is led by Mr Ilie Verdet, a Ceausescu-era prime minister, and the Greater Romania (Romania Mare) party, a xenophobic, anti-semitic organisation.

However, it is not clear the PSDR is prepared to ditch the two groups which in the past year have acted more like satellite parties than separate entities. Both have faithfully supported the PSDR in parliament and taken up second-level posts in the administration. Their intenperate onthursts and slur campaigns against reformers in the government and opposition have drawn little public criticism from the PSDR.

The opposition says the real agenda of

the PSDR and its allies - drawn from the former communist nomenklatura of state factory bosses, secret police and secondlevel bureancrats - is to stall reform while they attempt to maintain their control of state institutions and state prop-

"They are no longer fighting for Marxist-Leninist ideals but to protect their interests," Mr Coposu says, alluding to many recent corruption cases involving members of the PSDR or those close to it.

The PSDR has ettempted to consolidate its power not just in central government levels of the administration where compe tent technocrats have been weeded out in favour of the loyal. The party has also been unwilling to devolve power to local government, preferring to rule the country's disparate and ethnically diverse ns from Bucharest.

It is only now introducing local tax laws to provide revenues for elected local governments which, in many areas, are

controlled by the opposition.

The opposition, which includes the party of Romania's 1.7m ethnic Hungarian minority, is pushing for western Euro-pean-style subsidiarity and e high degree of local autonomy.

However, the inclusion in the Demo-

cratic Convention of the Hungarian party has been one of the many sources of ten-sion within the Convention. The DC, e loose coalition of anti-communist, intellectual and liberal parties, has failed to use its time in opposition to resolve differ-ences over issues ranging from economic policy to the restoration of the monarchy and the Hungarian minority.

The DC's internal divisions have been

exploited by the ruling alliance which includes the Romanian Netional Unity Party, an anti-Hungarian group which, like the Hungarian minority, is based in Transylvania, Romania's western province which was ruled by Budapest until

With its populist, nationalist slogans, the RNUP, like the SLP and Romania Mare, has won support by playing on the fears and ignorance of e population emerging from totalitarian rule and struggling to survive a severe economic

Mr Coposu says: "After 45 years of Soviet and communist darkness, Romanians have lost their political intuition. The civic level needs to increase for people to be able to fashion political positions normally again."

The fear is that - as in Russia - extremists will gain more ground if an ailing economy causes living standards to fall further and prevents the formation of a solid middle class capable of supporting centre-right parties and western-style

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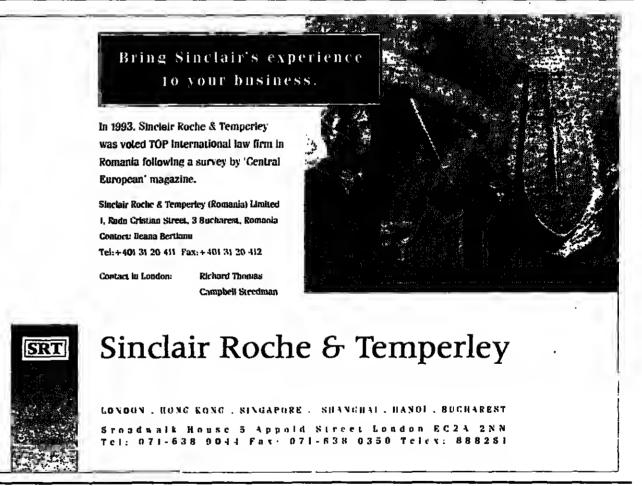
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post-communist state to sign

up to Nato's proposed partner

ship for peace. "No country in

this area can survive ou its

own and neutrality is no lon-

ger applicable," he adds. "The only choice for us is member-

ship of Nato which we see as

an efficient supporter of demo-

vents it pulling its full we

as a country with 23m inhabit

the Middle East as well as both

eastern and western Europe.

But its image in the west has

also been adversely affected in the past by outbreaks of intol-

erance against ethnic minori-

ties, especially the nearly 2m

ethnic Hungarians, concen

Romanians are neither

less tolerant nor more

violent than other people

trated mainly in Transylvania

and the large gypsy communi

The exodus of hard working.

ethnic Germans from the Tran-

sylvanian towns and villages

settled since the 13th centur

by descendants of Saxon immi

grants, has already been a

loss. The airing of historical

resentments against ethnic Hungarians by Romanian

nationalists risks causing a

similar haemorrhage of talent

and skills unless sensitively

handled by leaders of both

Both can rely on a degree of

moral and practical support

from governments in Bonn and

Budapest. But such support is

not available to gypsies, whose

plight has worsened substan-tially throughout former com-

munist Europe with the new

freedom to express ancient

resentments and the bitter eco-

nomic contest for housing, jobs

Romanians are probably no

less tolerant, nor more violent,

than other people. But life here

is hard and still getting harder

for millions of people, Until

prosperity returns, an under-

current of ethnic tension will

continue to test the patience and tolerance of majority and

minority alike, and affect the

image which Romania presents

to the wider world.

and other scarce resources.

communities

great cultural and econon

Romania is acutely aware that economic weakness pre

cratic values.

Anthony Robinson and Virginia Marsh on an open line foreign policy

# Middleweight with mission

When Serhia's President Slobodan Milosevic, an interna-tional parish in the eyes of the United Nations, visited Bucharest in April he was given the foll red carpet treatment by his

For President for Hiescu and Mr Teodor Melescanu, his foreign minister, the niceties of international protocol mat-tered less than the opportunity to continue a dialogue with their Balkan neighbour. The Serbian leader's visit allowed them to offer their good offices for the resolution of a conflict which has already cost Romania billions of dollars and which could still develop into a wider conflict.

"Starting from the idea that there is no military solution but a kind of balance of forces in former Yugoslavia, we see our role to encourage and assist the parties to find a solution and keep the lines of communication open," says Mr Melescanu, who earlier had been host to the Croat pres dent Franjo Tudjman and is expecting a visit shortly from the Bosnian president Mr Alija

"Wa believe that there can be no solution without Serbia and that pushing isolation too fer encourages extremist forces. Many Serbs believe that an international conspiracy is ranged against them," he

But Romania's foreign policy interests range well beyond the Balkans and the wider Black Sea region which Bucharest sees as a promising focus for future economic development as well as a forum for promoting greater stability and co-operation in the region.

As in Britain, Romanian politicians believe that Romania should "punch above its weight" in international diplomacy. This belief was taken to extreme lengths during the Ceausescu years when the dic-tator persuaded western countries to turn a blind eye to his sive domestic policies by



this area can survive on its own

with Yugoslavia's Marshal Tito for influence among the "non-aligned countries" of the third world. An active and highly personalised foreign policy to jet-sat around the world, hob-nob with the mighty, sleep in Buckingham Palace and develop political and economic ties with countries as diverse as China and Israel.

The foreign policy of the post-Ceausescu regime is more modest and more closely tied to national interests. Romania's close interest in the evolution of the Yugoslav imbroglio for example can he easily explained by the long common

horder with Serbia which means, Mr Melescanu underlines, that "we are vitally interested in containing the conflict and preventing its extension". It is not only a security issue. The UN embargo on trade with Serbia has severely

damaged transit down the Danube and a once thriving trade between the two countries and blocked several Romanian-Yugoslav joint ventures. On the other hand, the break up of Yugoslavia has reinforced mania's status as the higgest state in the Balkan region, capable of playing an important role in the wider Black To this extent, Romania

looks both east and west, maintaining good relations with Greece and Turkey and anxious to rebuild its economic links with middle eastern markets. The present government is more at home with this twodimenensional policy than opposition leaders who tend to argue that Romania's future security and prosperity depends upon the greatest pos-sible integration into western economic and security organisations, particularly the European Union and Nato.

Mr Corneliu Coposu, president of the National Peasants Party, the mainstay of the Democratic Convention, says "the government wants to maintain its non-orientated path, to rotate the wheel to

But Mr Melescanu points to a series of recent moves that underline Romania's desire for closer ties to the west. Last year, Romania signed an asso-ciation agreement with the EU Chrystia Freeland examines the effects of an agricultural revolution

# Capitalist instincts sprout

icture the 1992 Los Angeles riots taking side and you will get a fairly accurate picture of how Romania's agricultural reforms were conducted after the 1989 revolution.

Irrigation systems were torn apart by peasants who needed pipes and spare parts, tractors were cannibalised and herds of livestock were split haphazardly among their shepherds. "After 1989, everyone grabbed everything he could," explains Valentina Vladolu, who runs what is left of the state farm in the mountain village of Calvini. She is also president of an association of 28 private farmers who have teamed up to create a 32 hectare farm.

Three gutted harns 200m from Mrs Vladoiu's two-storey home show the scant resources the farmers have to work with. Timbers, window frames and even electrical fuses have been looted, leaving skeletal structures. Mrs Vladotu says "Those who were stronger and quicker took everything."

Thisbrutal privatisation was made formal in 1991, when the government passed a land decree meant to return property to its pre-war owners. More than 80 per cent of ara-ble land in Romania is in private hands, although the new owners do not yet have the right to buy and sell their

Survival of the fittest proved to be the guiding principle in the redistribution of agricultural land. Driving over a mnddy dirt track through her village Mrs Vladoiu points to the most fertile, black, loamy fields in the valley and reels off the names of their owners. One belongs to the mayor; the next to his brother; further along are the new, private boldings of his best friends.

fertile fields that climb up the slopes of the mountains sur-rounding Calvini were reserved for less well-connected villagers. "Of course this is causing tension in the village," says Mrs Vladoiu. "Those who had the best land before the war now have the

worst and vice versa." Giving land back to the peasants, who account for 45 per cent of Romania's population, wiped out one of the few achievements of socialism in



the agricultural sector. The large collective farms were cut into the inefficient, handkerchief-sized plots that were the Eastern European norm before

These radical and chaotic rural reforms led to a disastrous fall in agricultural production in 1990-92 of between 20 and 30 per cent on the figures of the late seventies and early eighties. But agricul-tural production is recovering. The harvest in 1993 was 12.4 per cent higher than 1992. Western experts say that, in

the agricultural sector.Romanla's radical approach has Entrepreneurs are

assembling large, viable

farms

brought irreversibla reforms. "The beauty of the big bang approach is that it brings a creative destruction," says Mr Mike Hicks, deputy head of the European Bank for Reconstruction and Development in Bucharest, "In Romania they broke their legs in the fall, hut now agriculture is starting to crawl its way up and eventu-

ally the bones will heal." Shops full of meat and cheese - a minormiracle in a country that, in the 1980s, had one of the lowest average calorie consumptions in Europe is one sign of healing. Another is that ever-moreprosperous entrepreneurs are assembling large, viable farms by leasing land from dozens of

individual owners.

Two burdles must be cleared before Romania can reclaim its traditional position as one of the chief agricultural producers in central Europe. First, farmers have not been given formal, legal title to their land, and sale of the newly privatised rural properties is banned for ten years. Without clear titles, farmers are finding it difficult to obtain credits to huy machinery, seed, fertilisers and herbicides. The ban on the sale of land is slowing the creation of

larger, more efficient farms. The second issue, often overlooked by the architects of agricultural reform in postommunist economies, is howagriculturalmaterials and

products are distributed. in bigbly centralised Romania a single organisa-tion, Romcereal, supplied all agricultural materials: seed, fertilisers, pesticides, herbicides and fuel, It collected, stored and distributed all the agricultural products in the antumn. A sister organisation controlled most heavy agricultural machinery.

Romcereal maintains its monopoly on distribution, despite land privatisation. Many private farmers - often unable to get credits and with limited access to agricultural materials and machinery have little alternative but to indenture themselves to Rom-

cereal. In return for a guaranteed

Romcereal at reduced prices. Gradually Romcereai's monopoly is being eroded. It faces stiff competition from western commodities companies offering similar package deals, but with higher quality products and better prices. Some rural entrepreneurs are becoming rich enough to buy their own materials, build their own granaries and sell

their crops at market prices. Better still. Romcereal is beginulug to collapse from within, as capitalist lastinets start to sprout in the hearts of the old agricultural bosses. Mr Alexandru Chloreann, the head of Romcereal's branch in the Transylvanian town of Arad, is eager to break away from the domination of his head-office in Bucharest and, eventually, to break up and

privatise Romcereal. We are not very interested in whot Bucharest has to say anymore," Mr Chloreanu says. Instead, it is they who must listen to us. There is no doubt that Romcereal should be broken up. The state should retain two or three siles and the rest should be completely privatised." When that happens, Mr Chloreanu will probably have the option of becoming the head of a local commodities trading company,

Arad's version of Cargill. But he has a different capitalist dream. He is trying to piece together a 100 hectare farm which he will run as soon as Romcereal is pushed into the private sector.

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### FOREIGN INVESTMENT

# Daewoo leads drive

omania hopes a planned balf-billion dollar investment in its car industry by South Korean Industrial glant Daewoo will soon put its foreign investment drive on the map, after four years of lagging well-behind central European countries in the race to attract western cap-

Under the deal, which is close to completion, Daewoo would take a 51 per cent stake in Oltcit, Romania's second car manufacturer, for \$156m. ft aims to invest a further \$370m to lift production capacity to

200,000 cars a year by 1998.

The proposed deal, by far the largest single post-communist investment in Romania, comes after a disappointing year in 1993 in which the rate of foreign investment slowed compared with the paltry levels of 1992. Only a further \$227.4m was committed during 1993, bringing the total to \$760.5m

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since 1990, according to the Romanian Development Agency (RDA), the country's

inward investment body. Tha adoption of a liberal foreign investment law in April 1991 led to a spate of landmark deals that year and in 1992. These included investments in industry by companies such as Asea Brown Boveri, the Swiss-Swedish engineering group, Colgate-Palmolive, the con-

Investor confidence was shaken by the victory of former communists in the 1992 general election

sumer products manufacturer, and Siemens, the German telemunications and engineering group. Bouygues, the French construction company, began work on a \$120m World Trade centre due to open this week while oil companies Shell, Amoco, Canadian Occidental and Enterprise Oil were awarded on-shore and Black Sea exploration contracts.

Investor confidence was, however, shaken by the victory of former communists in the September 1992 general election and the new government's failure, in 1998, to achieve macro-economic stability or to implement the privatisation scheme it inherited.

The hope is that agreements this spring with the Interna-tional Monetary Fund (IMF) and World Bank will create a better investment climate after last autumn's near descent into hyperinflation.

Maintaining internal convertibility of the Leu, recently achieved for the first time since the summer of 1992, is one of the government's goals this year and remains a critical issue for foreign investors. Although foreign companies are allowed to repatriate 100 per cent of profits, acute shortages of hard currency last year made this almost impossible. It also restricted companies' ability to import raw materials and other goods needed for local

The privatisation scheme was slow to get off the ground, making joint ventures with state firms the main vehicle for foreign investment in Romania. Even these were held up last year when the RDA had to clear deals through the new-

Fund, the main engine of privatisation, which was plagued with start-up problems and saw four general managers in its first 15 months.

However, under Mr Constantin Dumitru, general manager, the SOF has begun to tackle its mandate more seriously. It has asked the development agency to find foreign partners for some 100 priority companies after making just two sales to foreign companies before Mr Dumitru's arrival in February. The SOF is also co-operating

in a series of public offers this summer, to be followed by the much-delayed opening of a stock market later in the year. The hope is that the Buchares exchange will suck in signifi-

cant foreign investment.

External financing for projects has also eased. Most Western European countries have extended investment and credit guarantees which remained limited owing to the political and social instability of 1990 and 1991. international financial insti-

tutions auch as the World Bank and European Bank for Reconstruction and Development have also started to open credit lines at Romanian banks for local projects.

The largest of these is \$170m

for agriculture and agro-business which, with other consumer goods industries, are among the top areas of foreign interest.
Romanians, who were starved of food and western goods in the 1980s, have a huge

appetite for consumer prod-octs. The country, with a popu-lation of 23m, is eastern Europe's second largest market Infrastructure projects, often

financed from abroad, are also attracting foreign investors. Siemens, for example, formed a local joint venture to manufa ture digital switchboards for tions company which has embarked on a multi-hillion dollar, 10-year modernisation

Similarly, Italian firms are teaming up with local partners to npgrade border crossings and 1,000km of roads as part of a \$400m project co-financed by the World Bank, EBRD and European Investment Bank.

Virginia Marsh

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# after sharp early decline

#### **Wall Street**

US stocks rebounded from an 18 point decline yesterday morning, even although bonds remained stubbornly anchored in negative territory, writes Frank McGurty in New York. By 1 pm, the Dow Jones Industrial Average was 2.68 better at 3,684.37, while the more broadly based Standard & Poor's 500 was unchanged at 450.91 in moderately active

In the secondary markets, the American SE composite dipped 1.03 to 438.88, but the Nasdaq composite gained 3.25 to 737.09.

A downward drift in share prices at the opening accelerated into a full-scale retreat soon after the National Association of Purchasing Management released its monthly

A more bullish market may have interpreted the data as the best of both worlds, as it indicated that the economy had grown at a better-than-expected pace in April, while prices had risen more slowly than expected.

In the event, stocks chose to focus on the bond market, a path which led to solid losses by mid morning. With sentiment weighed down by a host of unfavourable technical factors and an overriding uneasiness over monetary policy, Treasuries were sliding anew in thin trading. If anything, the NAPM prices data prevented

an even sharper decline. By midday, the price of the benchmark 30-year government bond was moderately down, while the yield approached 7.40 per cent.

Still share prices managed to battle back to near their opening levels by midday, and were bovering just above them in early afternoon.

Among individual issues, Eastman Kodak was \$1% higher at \$43% with Mr George Fisher, its new chairman, set to brief analysts today on the

Ford climbed \$1% to \$59% but Cummins, a diesel-engine manufacturer, shed \$1% to Exxon drooped \$1 to \$61% as the energy group began defending itself in an Alaskan court

against thousands of civil claims arising from the Exxon Valdez oil spill five years ago. Syntex jumped \$8% to \$23% on news that Roche, the Swiss drugs group, had made an agreed \$5.3bn takeover bid for the company. The offer valued the shares at \$24 each.

Elsewhere, Upjohn gained \$1% to \$28% amid speculation that its weak new-product development programme would make it the sector's next target. Buying spilled over into Merck'e stock, pushing it up \$1% at \$30%

On the Nasdaq, Wellfleet surged \$4% to \$78%, with no apparent news triggering the upturn. Microsoft added \$1% to \$94% after announcing a development pact with Texas Instru-

#### Canada

Toronto stocks edged lower at midday with volume inflated by brisk dealings in new PWA Corp new shares. The TSE 300 composite index dipped 2.11 to 4,265.01 in 76.77m shares, 55.7m of which were PWA's new class A. Declining issues led advances by 296 to 238 with 228 unchanged. PWA Corp A shares lost C\$0.050 to C\$0.470 while PWA Corp common eased C\$0.03 to C\$0.50.

#### **SOUTH AFRICA**

Shares overcame early weakness as the market took a postelection pause, with afternoon prices boosted by a firmer gold price and a weaker financial rand. The overall index rose 3 to 5,362, after losing 1 per cent in early trade. Industrials picked up 2 to 6,415 and golds finished unchanged at 1,999. Anglos lost R2.50 to R232.50 but SAB rose R1.50 to R99.

# Dow rebounds Strong financials take Frankfurt to record high

participation took the edge of bourse trading, but German investors seemed happy to do without foreign support, writes

Our Markets Staff.
Other aenior bourse had their problems: technical bugs delayed the Paris opening by four-and-a-half hours; Milan, after extended attempts to clear a blockage in the system, suspended trading for the whole day, and Madrid, taking a local holiday, saw its thunder stolen by a combination of Bar-

celona, Bilbao and Valencia. FRANKFURT hit a record closing high, although strength in financials was offset by a less enthusiastic performance in many cyclicals, and falls in the big three chemicals stocks after profit-taking.

The Dax index rose 22.67 to 2,268.5 with German tradars especially encouraged by the DM67, or 2.6 per cent gain to DM2,655 in Allianz on a higher dividend, the deep discount on the insurer's planned rights issue and on relief that rumours of a negative weekend magazine article on the company turned out to be FFr15 to FFr944 and Dior by unfounded. FFr12.60 to FFr425. In the same Brokers also saw switching

from chemicals, which eaw gains of around 10 per cent on last week's first quarter fig-ures, into financials, where Bayernverein rose DM13 to DM524. Commerzbank by DM7.50 to DM366.50, and Deutecbe Bank DM15.30 to DM796.50 as shock waves fol-lowing the Schneider property debacle continued to diminish.

Turnover eased from DM9.1bn to DM7.9bn. In chemicals, Bayer and Hoechst both fell DM4.50, to DM389.30 and DM8.60 respectively, BASF losing DM2.30 at DM327. PARIS finished below its highs after a delayed, but strong start, the CAC-40 index

closing 20.27 higher at 2,186.23.

Turnover was thin at

FFr2.07bn The market had little time to react to initial issues but it marked its satisfaction with the stake-holding deal involving LVMH, the world's largest luxury goods group, Christian Dior and Guerlain, the French fragrance house. LVMH rose general area. L'Oreal extended its uptrend with a rise of FF127 to FFr1.262.

Meanwhile, Club Mediteran née, the leisure group, had what dealers called a technical bounce, recovering FFr19.90, or 4.8 per cent to FFr433.90 after Friday'e 7 per cent drop.

The SBF, the French stock exchange association, said yes-

terday that that work at the weekend to increase the mmber of connections to its trading network had disrupted the exchange's software, causing delays in the re-booting of the computer system, writes John Ridding in Paris

The discuption was the latest in a series of technical hitches over recent months, resulting from increased demands on the system and a programme of modernisation. The Paris bourse has seen a sharp rise in trading volume, partly because of the French government's privatisation programme, and an increase in the number of connections demanded by

ing with many foreign inves-tors hesitant ahead of today's geoeral election. The AEX index rose 0.66 to 413.92.

Chemicals continued their rally. DSM put on F1 1.90 to FI 140.30 in advance of today's results while Akzo added F1 2.60 to F1 226.30 in continued

The Eurotrack 100 index was mavailable owing to the closure of the London Stock Exchange.

response to last week's better than expected figures.
Philips rose Fl 1.10 to Fl 55.40 amid bullish forecasts for first quarter net profits, due tomorrow: analysts expect profits to rise by up to 200 per cent. in contrast, the dollar'e weakness left Royal Dutch FI 4.10 down at FI 200.20.

ZURICH turned higher, with London's closure removing some of the selling pressure which was evident at the end of last week. The SMI index added 31.9 to 2,768.2. Ciba registered rose SF131 or

3.7 per cent to SFr868.

Brown Boveri put on SFr13 to SFr1,303 on news that Asea had won a German power-plant contract in a consortium worth \$330m, of which around \$240m is earmarked for Asea.

Rieter, in textile machinery, added SFr50 to SFr1,780 ahead of today's annual news conference. In telecoms, Ascom rose SFr20 to SFr1,330 as it named a new chief financial officer.

MADRID, closed for financial news, heard threats of further revelations on the political corruption front. Based on trading in other Spanish bourses, the Ibex 35 index fell 28.64 to 3,492.09. Telefónica reflected mid-morning weakness on Wail Street with a fall of Pta40 to Pta1,790; but the linked banks. Santander and Banesto. escaped the downtrend with rises of Pta80 to Pta5,890, and Pta125 to Pta1,250 respectively.

STOCKHOLM was supported by a firmer bond market and the Affarsvärlden index put on 22.4 to 1,499.9. Pharmacia B added SKr5 to SKr118. OSLO fell 1.2 per cent in response to the weak dollar and the allshare index dipped 7.57 to

NKr26Sm. COPENHAGEN fell 1.1 per cent with trading dominated by profit taking in the newly. privatised Tele Danmark. The KFX index fell 1.21 to 108.65 in heavy turnover of DKrl.3bn.

Tele Danmark, gave up DKr5 to DKrDKr329, compared with the privatisation price of TEL AVIV held its ground

after o 3.9 per cent increase on Sunday, the Mishtanim index easing a mere 0.32 to 228.77. Sunday's rise of 8.6 points reflected optimism over Israeli peace prospects with the PLO and Syria. ISTANBUL fell another 6 per

cent after a drop of 18.3 per cent last week, the composite index closing 903.83 lower at 14,192.85. The focus of investors' fears moved away from last Friday's suspension of eight brokerage houses, and into uncertainties about the general direction of money markets.

Written and edited by Willem

#### **ASIA PACIFIC**

# Region mixed as Nikkei falls 0.8% in low turnover

#### Tokyo

Shares lost some ground in thin conditions as investors held back from trading ahead of the three-day holiday, which begins today. The sharp rise in the yen provided a further disincentive, writes Emilio Tera-The Nikkei 225 index fell

155.04, or 0.8 per cent, to 19,570.21 after a high of 19,648.53 and a low of 19,488.90. Arbitrage trading depressed prices, but late overseas demand eroded some of the earlier losses, Volume totaled 130m shares against 217m.

Some analysts said that the rise in the yen, which reached an eight-month high against the dollar, had already been discounted into stock prices following the inauguration of Mr Tsutomu Hata's minority government. Investors, however, said that the rise had increased the risk of commit-

COMMODITIES PRICES

ting funds to the stock market. "With the price to earnings ratio at 100 and the yen at these levels, people have started to realise that their initial forecasts for the market were a little optimistic," said an official at Nippon Life, the largest life assurer. He said the Nikkei index could fall to as

low as 18,000 in the near term.

The recent volatility of the yen was seen as a threat to the earnings recovery expected during the second half of the year. Some traders feared that overseas investors, who had bought Japanese stocks during the first quarter, might start to take profits as the yen's appre-ciation pushed up the value of their portfolios.

The Topix index of all first section stocks fell 9.85 to 1,593.48 while the Nikkei 300 lost 1.85 to 291.25. Losers led gainers by 736 to 223, with 157 issues remaining unchanged. High-technology stocks lost ground on profit-taking.

Hitachi fell Y9 to Y951 and Fujitsp lost Y20 to Y1.000. Large-capital stocks were also sold, with Nippon Steel down Y3 to Y344 and Mitsubishi

Heavy losing Y1 to Y674. Arbitrage selling depressed some banking stocks. Industrial Bank of Japan fell Y10 to Y2,150 and Dai-ichi Kangyo Bank declined Y20 to Y1,880. Speculative shares were picked up by individual investors looking for quick profits. Brother Industries, the most

active issue of the day, rose Y27 to Y665, In Osaka, the OSB average fell 125.94 to 21,892.55 in volume of 32.3m shares.

#### Roundup

The region offered a study in contrasts, with its biggest equity markets depressed in thin trade but Manila and Secul in unbest mood. Singapore, Kuala Lumpur, Bangkok and Colombo were closed for bolidays. HONG KONG dropped 1.9 per cent in thin trade amid uncertainty over interest rates, the

Hang Seng index closing 166.37 lower at 8,799.70 after futuresled selling emerged in the afternoon. Turnover fell from HK\$3.11bn to HK\$2.38bn, property shares continuing to slide on newspaper reports of a softening in the real estate market,

the sector index falling 393.03,

or 2.55 per cent to 15,012.47. SHK Properties tumbled HK\$1.50 to HK\$45.00, and Cheung Kong HK\$1.00 to HK235.50

AUSTRALIA saw turnover hit a seven-month low as the All Ordinaries Index fell 18.2 to 2,047.9. Volume was 128.2m shares valued at A\$253.9m.

Southcorp sbares were suspended after tumbling 17 cents to A\$3.14, pending an announcement. The company later announced the resignation of its managing director,

A sharp fall by Samantha Gold dragged the golds index down by nearly 2 per cent, Samantha losing 30 cents, or 14.3 per cent, to A\$4.80 following news that reserves at its Chalice prospect have been downeraded

NEW ZEALAND fell mostly on a 7 cent decline in Telecom as local and international support for leading issues failed to materialise. The NZSE-40 index fell 14.06 to 2,096.15 although the broader market fared better, the small companies index gaining 11.37 to 4,672.45.

KARACHI fell in dull trade with dealers reluctant to enter the market amid widespread disturbances in the city. The KSE 100 slipped 25.01 to 2.377.31.

BOMBAY recovered slightly towards the close on buying by Indian mutual funds. The BSE 30-share index ended 0.72 higher at 3,746.19. Turnover stayed low, depressed by the

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mid-March ban on forward trading imposed by the Securities and Exchange Board of

MANILA rose on expectations of strong first quarter Philippine economic growth The composite index closed 41.22 bigher at 2,885,44, also boosted by a 5 peso rise to 176 pesos in San Miguel A shares on speculation that the company would convert its Hong Kong brewery into a high-class residential development. Turnover, however, fell from 987.6m pesos to 697.Sm.

SEOUL did big business on institutional buying of medium-priced blue chips, the composite stock index closing 10.54 higher at 919.26. Turnover was Won1,001bn, representing the highest volume of trading since March 17.

TAIWAN's weighted index rose 40.13 to 5,777.48 in thin trade. Interest was seen in selected industrials, late buying in financials.

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Sep	2546	-1/4	267/0	253/2	159,540	22,300
Dec	255/4	-2/6	23/14	2542	365,680	63,570
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otal					87,628	10,47
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VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST. NYCE, CME and CSCE are one day in anyers.

# LOMBARD ODIER INVEST

#### NOTICE OF MEETING

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on May 13, 1994 at 11.00 am at the officer of Paris 1,7446 of State Street Cank Luxembourg S.A., 47 Boulevard Royal, L-2449

tion of the reports of the Board of Directors and of the Anditor. Approval of the belance sheet, profit and loss account as of December 31, 1993 and the allocation of the net profits. Discharge to be granted to the Oirectors and to the Auditor for the ancial year ended December 31, 1993.

Action on nomination for the election of Directors and Auditors for the Any other business which may be properly brought before the meeting bolders are advised that no quorum for the hours of the agenda is red, and that the decisions will be taken at the majority vote of the shares cut or represented at the Meeting. Each share is cartified to one vote, A cholder may act at any Meeting by proxy.

Should you not be able to attend this meeting, kindly date, sign and return the to of Petra Ries, fax number +352 470 204. In order to participate in the meeting the holders of beaver shares must deposit

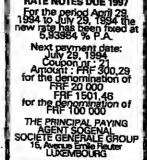
their shares at the office of State Street Bank Luxembourg S.A., 47, Bonlevard Royal, L 2449 Luxembourg no later than 5.00 pm on May 6, 1994. By order of the Board of Directors

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A to Comment

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TUESDAY

#### **Dutch general election**



in the Nether lands sees the retirement from national politics of veteran prime Lubbers (left). Support for Mr Lubbers

Christian Democrats is forecast to be forced into opposition.

The Labour Party, junior partners in the current coalition, also faces a severe electoral decline. Increased support for smaller parties will proba-

public examination of Alan Bond, the failed Australian businessman, by his bankruptcy trustee begins. Two weeks ago, lawyers for the former tycoon withdrew a request for an adjournment ontil Mr Bond's mental state improved. They had previously argued he was severely depressed and his IQ had plummeted from 150 to 90 because of brain damage suffered during cardiac surgery.

Contaminated land: Responses to the UK government's consultation paper on contaminated land, Paying for our Past, are due in today. The paper, which follows the government's scrapping of proposals for a register of contaminated land, calls for com-ments on the size of the problem and to determine who should foot the bill of cleaning land.

Saleroom: Two weeks of big money spending in the art market start tonight in New York with a Christie's auction of contemporary art. "Number 22", a painting by Jackson Pollock, created in 1949 by the dripping and pouring technique rather than the paint brush, is estimated at up to \$3m, while Mark Rothko's atmospheric blur Four Reds" should make \$1.8m.

#### FT Survey: Romania.



Japan is on its annual 10day spring break, which ends on May 7. This year. an estimated 66.7m people are heading off on holiday, a record 450,000 of them abroad

the strength of the yen, which has made Haiwaii cheaper, for Japanese holidaymakers, than Hokkaido.

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fall by about half, and the party may

bly result in a three-party coalition. Bond hearings The long-postponed



attracted by

Sri Lanka, Thailand.

#### WEDNESDAY

#### Mid-East signing ceremony

Israel and the Palestine Liberation Organisation are due to sign an agree-ment granting limited Palestinian autonomy in the Gaza Strip and Jericho. A ceremony is to be held in Cairo in the presence of President Hosni Mubarak of Egypt, Warren Christopher, US secretary of State, Yitzhak Rabin. Israel's prime minister, and Yassir Arafat, chairman of the PLO.

The European Parliament, holding its last plenary session before the European elections, votes on the accession treaties of Norway, Sweden, Finland and Austria. It must approve the treaties by today to make entry on January 1 1995 possible. With many MEPs campaigning or not standing for re-election. worries are that not enough will show up to produce the 260 votes needed. to gain an absolute majority out of



Paul Keating, Australia's orime minister (left), unveils the federal government's white paper on industry and employ ment. It will detail measures to address Australia's vexa-

tious unemployment, along with regional development policy and help for Australian companies selling into Asian markets. The white paper's release comes a week before the federal budget statement, and Mr Keating's announcement is likely to pre-empt big expenditure items.

South Korea's defence minister, Rhee Byoung-tae, arrives in Germany following a six-day visit to Russia, where he discussed the possible purchase of advanced weapons as payment for an outstanding \$1.5hm loan that Seoul gave the former Soviet Union in 1991. He will be discussing possible arms purchases in Germany as well.

Nigeria's long-heralded and oft-postponed "war against indiscipline and corruption" is scheduled to begin.

Saleroom: The highlight of Sotheby's auction of contemporary art in New York tonight is "Highway" by Jasper Johns. Inspired by the artist's experience of driving on a New York highway at night, this blur of reds, blues and yellows is estimated at a hefty \$8m, showing a return of confidence to this section of the art market.

Football: In the European Cup Winners' Cup Final, England's Arsenal play Italy's Parma in Copenhagen.

FT Surveys: Restructuring Eastern. Germany and Greater Philadelphia. Easter).

#### THURSDAY Local elections in Britain





England, Wales and Scotland vote in local elections that will determine whether the Conservative party remains a force in local government and no less importantly - whether John Major is likely to face a leadership challenge from disaffected Tory MPs later this year. Elec-

tions are being held for metropolitan and shire councils, but attention will focus on the results in outer London, where the Tories have traditionally been dominant

Palestinian police force: The ending of more than a quarter-century of Israeli occupation begins, as Palestinians in the Gaza Strip and West Bank town of Jericho see the deployment of their own police force. An advance guard of 1,000 Palestinian police will cross into Gaza and Jericho to begin to take over security from the departing Israeli army. Israel is expected to complete its military withdrawal and the transfer of civilian administration to the PLO within a maximum of three weeks.

Tsutomu Hate. Japan's prime minister, on a trip to Western Europe originally organised for his predeces sor, visits Germany. He meets Chancel lor Kohl, Klaus Kinkel, the foreign minister, and Johannes Rau, prime minister of North Rhine-Westphalia, where the city of Düsselderf is home to the largest concentration of Japanese in Germany.

Beirut renewal: Shareholders of Soliders, the \$1.8bn company that plans to rebuild central Behrut, hold their second meeting to incorporate the company.

The Badminton Horse Trials, England's premier equestrian event begin at Badminton House, Avon (to

Savoury tooth: The British. Association for Toothfriendly Sweets launches its campaign in London.



FT Surveys: International Corporate Finance and FT Exporter.

Holldays: Japan, South Rorea (Coronation Day).

ECONOMIC DIARY

#### 6 FRIDAY

#### Channel Tunnel 'opening'

Today sees the official inauguration of the Channel Tunnel, However, more than a year behind schedule and more than twice the original budget, it will not actually open to passengers until at least the autumn.



Both will then take Euroster trains to Calais for an opening ceremony. The Queen and President Mitterrand will then drive, in her Rolls Royce, on to a vehicle shuttle and head for more ceremony on the British side.

South Africa's president is due to be elected by the National Assembly. The president, almost certain to be Nelson Mandela, will be sworn in on May 10 in Pretoria.

Hong Kong: Lu Ping, Beijing's top official on Hong Kong affairs, is expected to lift the veil on China's policy towards the colony, when he addresses a lunch sponsored by the combined chambers of commerce in Hong Kong. Making his first visit since Chris Patten became governor, Mr Lu is expected to indicate how Beijing will deal with Britain on "non-political" matters arising from the transfer of sovereignty in 1997. Bilateral co-operation on political development collensed last year. Since then, there have been

East Timor: Indonesia and Portuguese foreign ministers meet for United Nations sponsored talks on the former Portuguese colony. annexed by Indonesia in 1975, a move not recognised by the UN. The UN secretary-general Boutros Boutros-Ghali is expected to attend.

In the morning, the Queen opens the Waterloo international rail terminal in London (below), while in Paris President François Mitterrand opens a terminal at Gard du Nord.



through the 55km tunnel to Folkestone

Ethnic Armenian separatists in the disputed Nagorno-Karabakh enclave in Azerbaijan have accepted Russian proposals for a cease-fire starting today.

signs that Beijing is prepared to discuss economic matters.

Theo Waigel, Germany's finance minister holds a meeting with his Austrian and Swiss counterparts in Munich. Among the items on the agenda will doubtless be how to plan co-operation with Austria in and Switzerland outside the European Union. Channel Tuncel



The LRK local elections on Thursday will be a test for Prime Minister John Major's leadership



### Hata returns to Japan

Tsutomu Hata, Japan's prime minister, returns to problems at home after a trip to Europe. The aim was to strengthen relations before the Naples summit of the Group of Seven leading industrial nations in July.

Last week, the Socialists, the biggest party in the ruling alliance, dropped out of the coalition, depriving it of a parliamentary majority. Hata's minority government is likely to be

Vietnam celebrates the 40th anniversary of the battle of Dien Bien Phu, which ended nearly a century of French colonial rule.

Time warp: British and French vintage cars, taking part in a rally from London to Paris to mark the Channel tunnel inauguration, will travel through it by shuttle.

Under fours: A special handica mile at the lifley Road track in Oxford is part of the celebrations of Roger Bannister's breaking of the four-minute barrier there in 1954.

The Kentucky Derby is run at the Churchill Downs course, Louisville.

## 8

#### SUNDAY

Panamanian elections

Five years after the US invasion, the presidential candidate for the party of General Manuel Norlega is going into the election as favourite, Ernesto Perez Balladares of the Democratic Revolutionary Party (PRD) leads the

polls. His nearest challenger is the lawyer actor-salsa singer, Ruben Blades, who heads a new green-leaning political movement Papa Egoró (Mother Earth in a local indian language).

Costa Rican presidency: José Maria Figueres, the son of "Pepe" Figueres, the popular former president who dominated Costa Rican politics for two decades, assumes the presidency. Mr Figueres has pledged to place a greater emphasis on social issues than the outgoing government.

Hungary holds the first round of parliamentary elections. The second round is due to be held on May 29.

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Sumo-time: The 15-day Grand Summer Sumo Tournament starts in Tokyo.

Compiled by Patrick Stiles. Fax: (+44) (0)71 873 3194.

### Other economic news

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Tuesday: Figures for MO, the narrowest measure of the UK money supply, are expected to show growth of 5.9 per cent in the 12 months to April. This is still well above the government's 0-4 per cent monitoring range and would provide further evidence that consumer demand remains buoyant despite the tax rises.

The Treasury's panel of inde-pendent forecasters, the so-called "wise men", meet to discuss the prospects for the UK economy. Their findings will be published on May 17. German industrial produc-

tion data for March are expected some time this week Analysts forecast a monthly rise of 0.5 per cent, compared with February's 1.2 per cent. Wednesday: The UK's official reserves are expected to show no change in April, after falling by \$45m in March. The Treasury will release its monthly monetary report, to

between the chancellor and the governor of the Bank of Thursday: German unem-ployment statistics for April are expected to show a seasonally adjusted rise of 23,000 in the west and an unadjusted fall

of 20,000 in the east.

coincide with the meeting

•			Statistics in no		
Day Reference	Country	Económic Stedetic	Stedler Forecest	Prenous Actual:	
Tues	US	Mar leading indicators	- 0.6%`	-0.1%	
May 3	US	Johnson Redbook, w/e April 30	4	-0.2%	
	UK .	· Apr MO money supply*		0.3%	
	UK	Apr M0 money supply**		5.6%	
Wed	US	Tan book		/	
May 4	US	Mar factory orders	0.5%	~1.0% ·	
	US	Mar factory Inventories	-	0.2%	
	US	Apr domestic auto sales	7.5m .	7.6m	
	US	Apr domestic light truck sales	5.8m	5.9m	
	UK	Apr official reserves	Unch	-\$45m	
	Canada	Mar building permits*	3.0%	1.8%	
Thura	US	Initial claims, w/e April 30	338,000	333,000	
May 5	US	Q1 productivity	-	6.1%	
	US	Mar home completions	-	1.84m	
	US	M1 w/e Apr 25	:		
	US	M2 w/e Apr 25	-	-	
	US	M3 w/e Apr 25	-		
	Germany	Apr unemployment rate, west, s.s.	+23,000	+20,000	
	Germany	Mar employment rate, west, s.a.	-20,000	-25,000	
	Germany	Apr vacancies, west	+5,000	+2,000	
	Germany	Apr short-time, west, r.s.s.	-40,000	-52,000	
	Germany	Apr unemployment, east, n.s.s.	-20,000	-40,000	
	_				

**OAT** auction

Apr help wanted index

Day Released.	Country	Economic Statistic	Hedim Forecast	Previous Actual
Friday,	US ·	Apr non-form payrotis	. +176,000	+456,000
Maly 8	.US	Apr menufacturing payrolis	+15,000	+12,000
•	US	Apr hourly earnings	0.2% .	0.1%
	na .	· Apr sverage workweek	• :	34.7
<del></del>	US	Apr civilian unemployment rate .	8.5%	6.5%
	US	Mar wholesale trade		0.8%
·	US	Mar consumer credit	\$4.800	<del>.</del>
	France	Q4 Industrial production	0.5%	. 0.4%
	Canada	Apr employment rate*	0.2%	0.4%
	Canada	Apr unemployment rate .	10.8%	10.8%
During 1	de wook			
	Japan	Mar current eccount	\$19.760	\$11.9bn
	Japan	· Mar trade belance	-	\$12.9bn
	Japan	Apr trade belance - first 20 days		\$7.2bn
	Japan	Max foreign bond investment	•	
	Germany	Mer industrial production*	0.5%	1.2%
١ .	<b>Germany</b>	Mar manufacturing output"	0.4%	2.4%
	Germeny	Mar import prices*	0.0%	0.1% .
	Germany	Mar Import prices**	-0.3%	-0.4%
	Germeny	Mat antendecturing orders*	0.4%	3.1%
	italy	Apr CPT	4.1%	4.2%
	Spein	Apr official reserves	\$40m	\$44.86m
	Beiglum	Apr unemployment rate .	13.5%	13.5%
	Switz	Apr unemployment rate .	5.0%	5.0%

ACROSS
1 Object after sound meal causes baby pain (8)
5 If not American Len's turned Volunteers returned sombre tunic (6)
 Say six-footer in queue is

in (6) 9 Stage students admitted becoming traffic controllers

(8)
10 Caught despicable chap with ruler making hole (6)
12 Raced companion to US farm 18 Fancied a Gi in army manoeuvres (9)
14 Existing vicar's salary (6)
16 Contempt for home after dad

is thrown out (7)

19 Said some bird swallowed a bone (7)

21 Using some more sultanes for effect (6)

22 Fair trial arranged after I

destroyed map (8)
25 Wrote about tall building (5)
26 Firm takes me in before revealing wages (6)
27 Frank removed sign for

28 Decorate pole without glaring

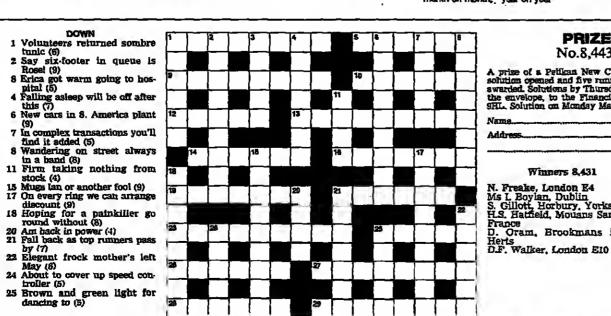
stock (4) Mugs Ian or another fool (9) On every ring we can arrange discount (9) discount (9)
18 Hoping for a painkiller go round without (8)
20 Am back in power (4)
21 Fall back as top runners pass by (7) 22 Elegant frock mother's left

25 Brown and green light for

find it added (5)

Canada

DOWN



FF:19bn

92

94

#### PRIZE CROSSWORD No.8,443 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday May 12, marked Prize Crossword 8,443 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 SHL. Solution on Monday May 18.

Addres Winners 8,431

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Solution 8,431 N. Preake, London E4 Ms I. Boylan, Dublin S. Gillott, Horbury, Yorkshire H.S. Hatrield, Mouans Sartoux, France D. Oram, Brookmans Park,

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